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Michael Roberts  
Chief Executive

*Dear Secretary of State*

Ahead of your expected announcements relating to improved resilience of water supplies, such as the Government's response to the National Infrastructure Commission (NIC) report on this topic, I am writing about the contribution companies will make to that goal through a holistic approach to manage customer demand, which includes a new commitment to tackling leakage.

In 2016, Water UK's ground-breaking analysis on the risks to water supplies over the next 50 years showed the need for a twin-track approach of managing demand and increasing supply. The sort of action needed under the more challenging scenarios was in turn substantially reflected in the NIC 2017 report '*Preparing for a Drier Future*'.

Against that background, companies in England have recently published proposals to tackle leakage. Building on current commitments to cut leakage, their 2020-2025 business plans commit to a further 16% reduction – the most significant reduction programme for twenty years – and their water resource management plans (WRMPs) set out their aspirations to do more in the longer term.

I can confirm that the sector's ambition is to reduce by at least half the total amount of water lost overall to leaks in England, by 2050 at the latest. Each company in England starts from a different point, with different plans reflecting local conditions, taking action collectively to save the equivalent of nearly five 'Rutland Water' reservoirs, cutting total leakage in England to around 10%.

There are two important points to make about this commitment.

First, through their largest ever customer insight programme, companies have listened closely to what customers have said about their clear expectation of further material cuts in leakage. The commitment reflects a significant departure from the traditional regulatory approach, under which companies have focused on achieving what has been known as the "sustainable economic level of leakage" (and which helps explain why leakage first fell by a third but then stabilised in recent years).



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The change of approach entails sustained investment, combining traditional and new techniques for detecting and fixing leaks. Innovation will be key, not only in reducing the impact of such activity on customers' bills, but also in establishing the scope potentially to go faster and further on companies' commitment.

Second, while the long-term ambition on leakage is important in focusing minds, the higher-level goal is to manage down demand and still serve customers' need for water. Our 2016 analysis highlighted the need to move on three fronts: leakage (including pipes on customers' properties and on companies' networks), metering and water efficiency.

The sector clearly understands the need to work with customers, government and others to reduce per capita consumption (PCC). Our 2016 analysis identified, in the more challenging scenarios, a level of ambition for PCC similar to that set out last year by the NIC (as they acknowledged). In their business plans, companies have already committed to reduce average PCC by nearly 7% over 2020-25, with ambitions to go further in their WRMPs.

We are keen that any national target for PCC should be stretching yet achievable, and we have been working with officials on how a target might be introduced. As well as confirming what the long-term goal on PCC might be, there is a need to agree a trajectory for action over time and between regions, based on a shared analysis of what can be done most cost-effectively.

International experience shows that supporting government measures are key to managing demand. We think there is an important step to take in assessing the potential positive contribution to be made by public policy in areas such as building regulations, water efficiency labelling, metering and customer-owned supply pipes. We would be delighted to lead a joint project on this, reporting at a senior level to Defra.

Finally, we are of course also supporting extensive work to strengthen resilience on the supply side, including by fully supporting the National Framework activity to build on previous modelling work which will help improve strategic, multi-sector planning for water resource resilience in England.

I am copying this letter to Thérèse Coffey, Jonson Cox, Emma Howard-Boyd and Sir John Armitt; and we will be placing it on the Water UK website on Thursday 18<sup>th</sup> October.

Yours sincerely  
Brian Bender

**Sir Brian Bender**  
Chairman