

# Sewage Campaign Network

MP BRIEFING | 9 DECEMBER 2024



[www.sewagecampaignnetwork.org.uk](http://www.sewagecampaignnetwork.org.uk)





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We are grassroots campaigners deeply rooted in our local communities, working to save our rivers, lakes, and seas from sewage pollution. As the founders of the current massive public storm, our coalition consists of the forerunners in the fight against sewage pollution passionate community members dedicated to safeguarding rivers, lakes, and coastlines.



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# Professor Becky Malby

ILKLEY CLEAN RIVER GROUP

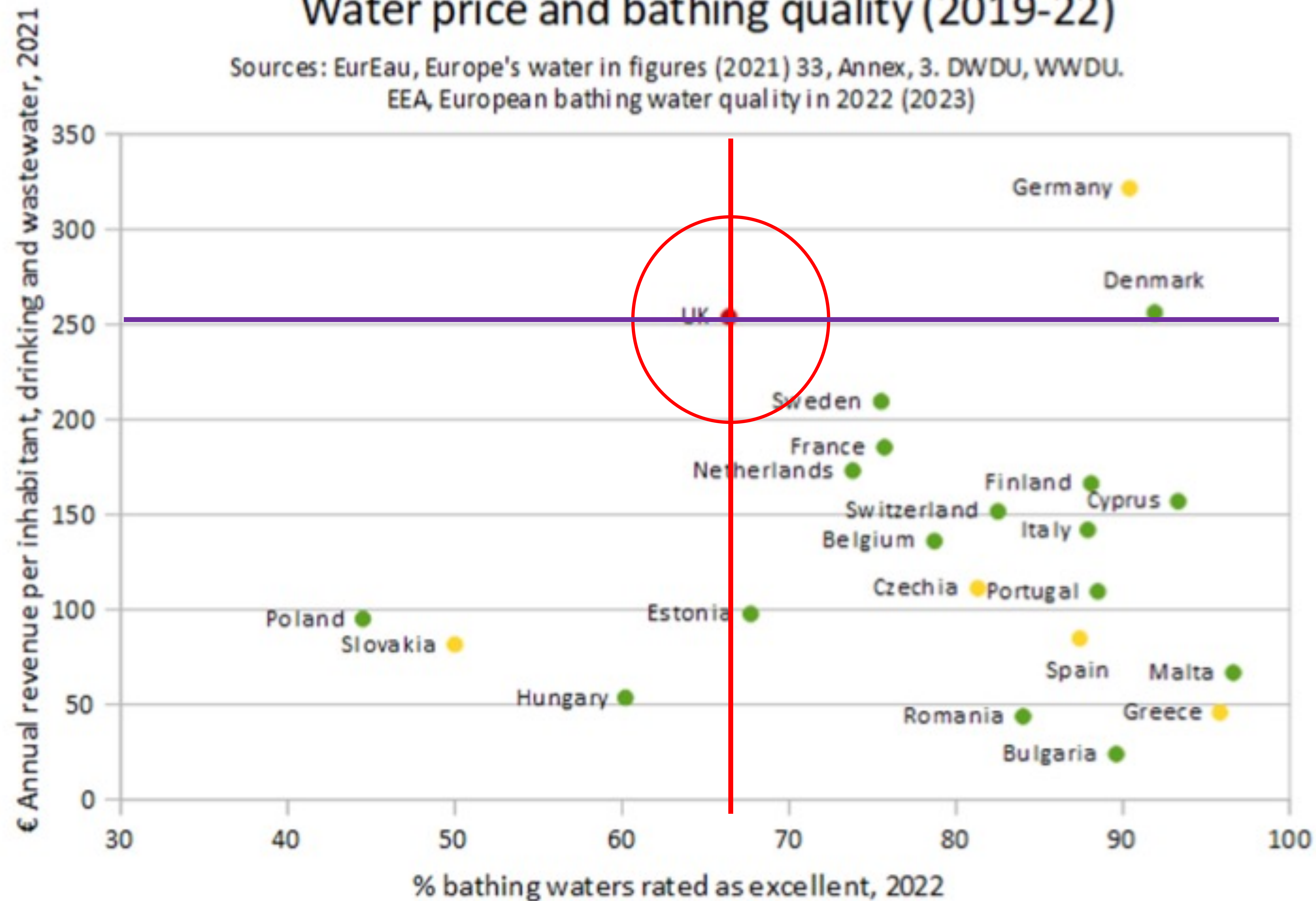


- **Public Outrage:** At the state of our waterways and the blatant profiteering by water companies who have now secured a huge bill hike to pay for their mismanagement and illegal behaviour.
- **Rewarding Illegality:** All water companies are under investigation by Ofwat and the Environment Agency for illegal activity.
- **Public Value:** We are paying more than most in Europe per inhabitant but have some of the worst water quality in our rivers, lakes and seas.
- What we are offering here is an expert resource for you to use.
- **We need:** The Water (Special Measures) Bill to enforce the law; and the Commission to have all options for our water system on the table.



# Water price and bathing quality (2019-22)

Sources: EurEau, Europe's water in figures (2021) 33, Annex, 3. DWDU, WWDU.  
EEA, European bathing water quality in 2022 (2023)



Paying more and  
getting better  
Environment

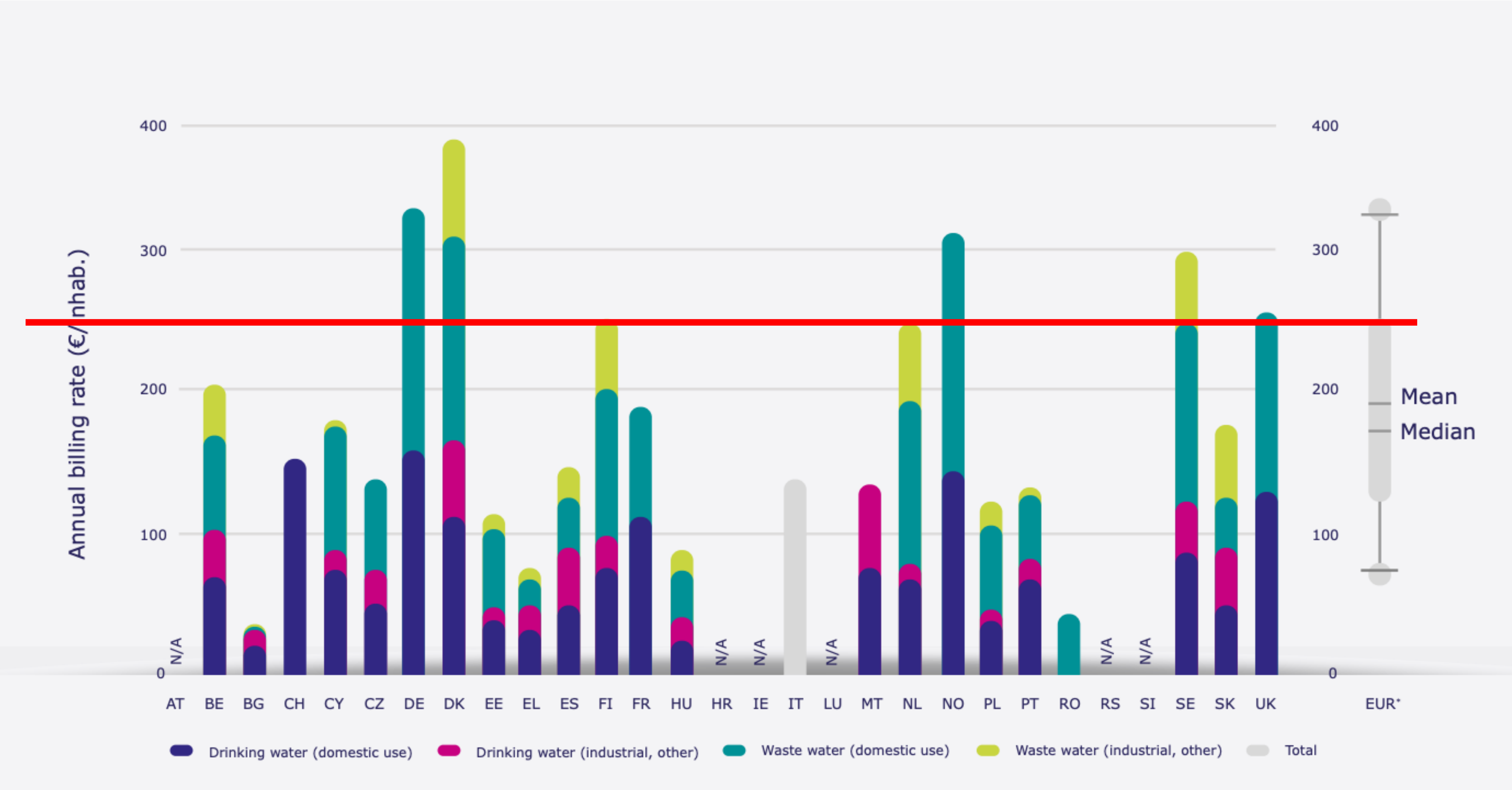
Paying Less and  
Getting Better  
Environment

Paying Less  
and getting  
Poorer  
Environment

● = over 60% public ● = mixed (PPPs, delegated, etc) ● = most privatised



Annual revenue collected from the different water services per inhabitant (VAT excluded)



Source: [Europe's water in Figures 2021](#)



# Stanley Root

**RETIRED AUDIT PARTNER, PWC**

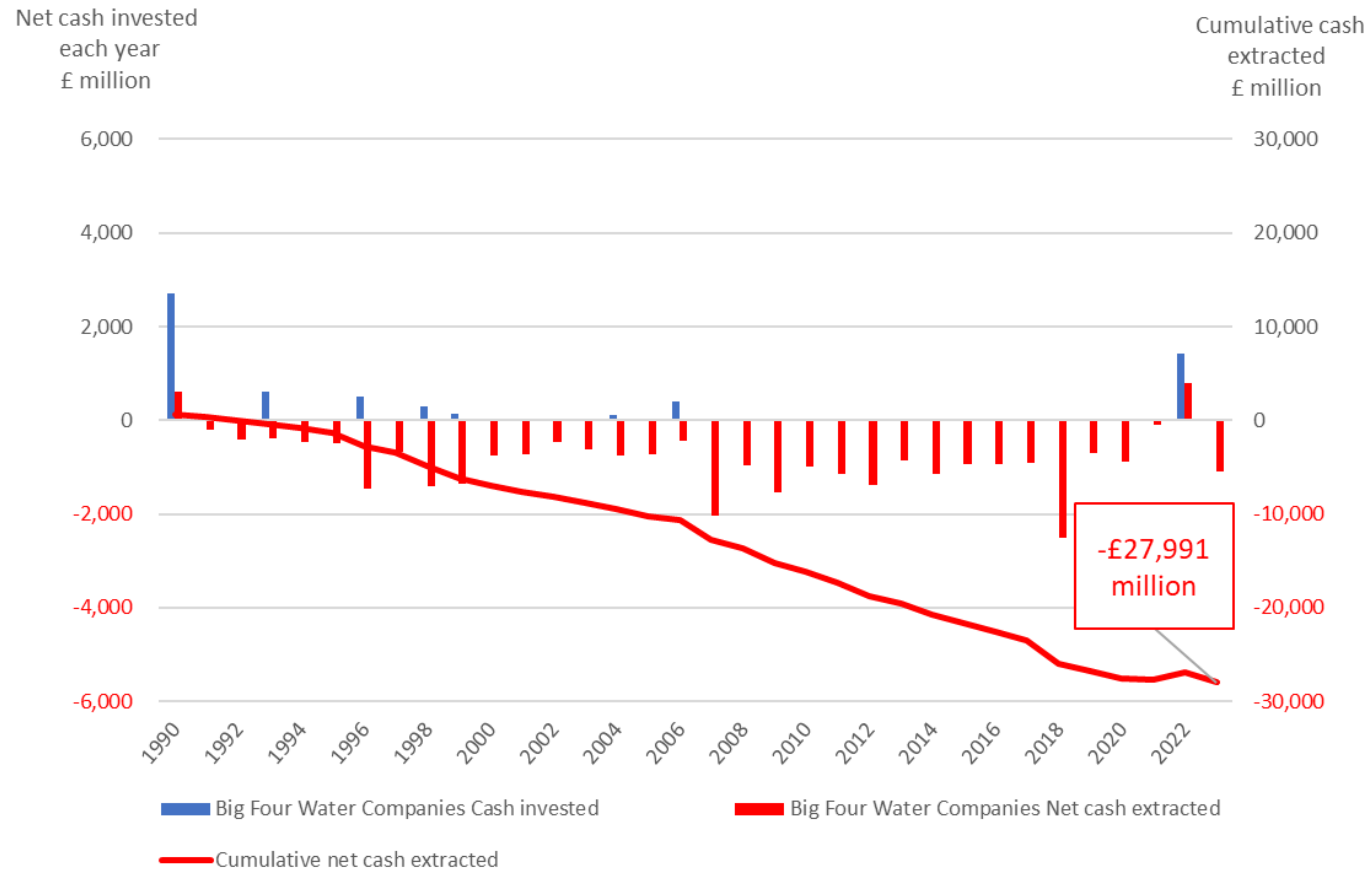
## **Four Myths of Water Privatisation**

1. Investors didn't invest after privatisation
2. Companies borrowed to finance excessive dividends, not capital expenditure
3. Privatisation didn't bring financial efficiency
4. Group companies can be a burden, not a support, to regulated companies

**Contact: [stanley.root@gmail.com](mailto:stanley.root@gmail.com)**



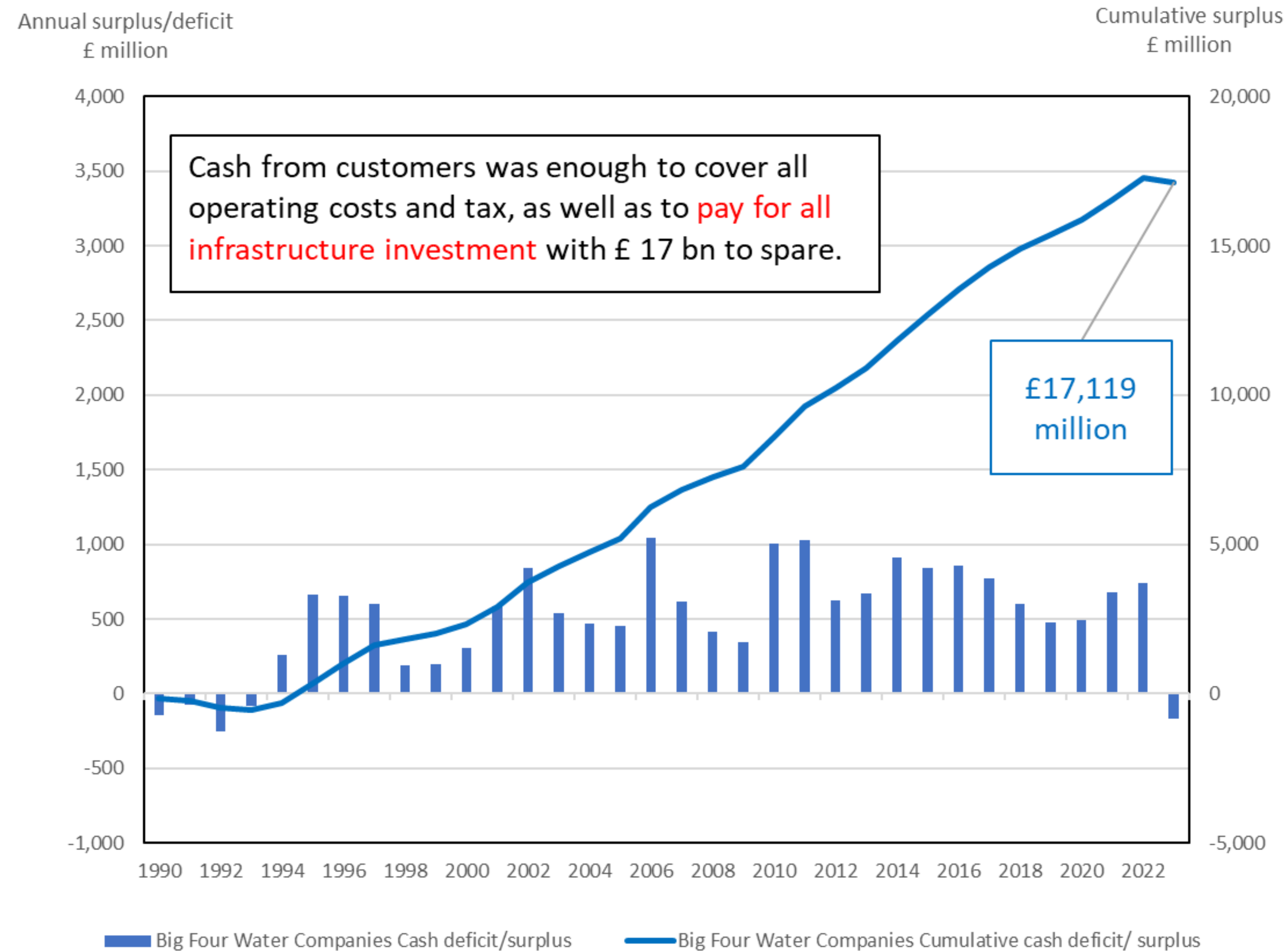
# 1. Investors didn't invest after privatisation



Contact: [stanley.root@gmail.com](mailto:stanley.root@gmail.com)

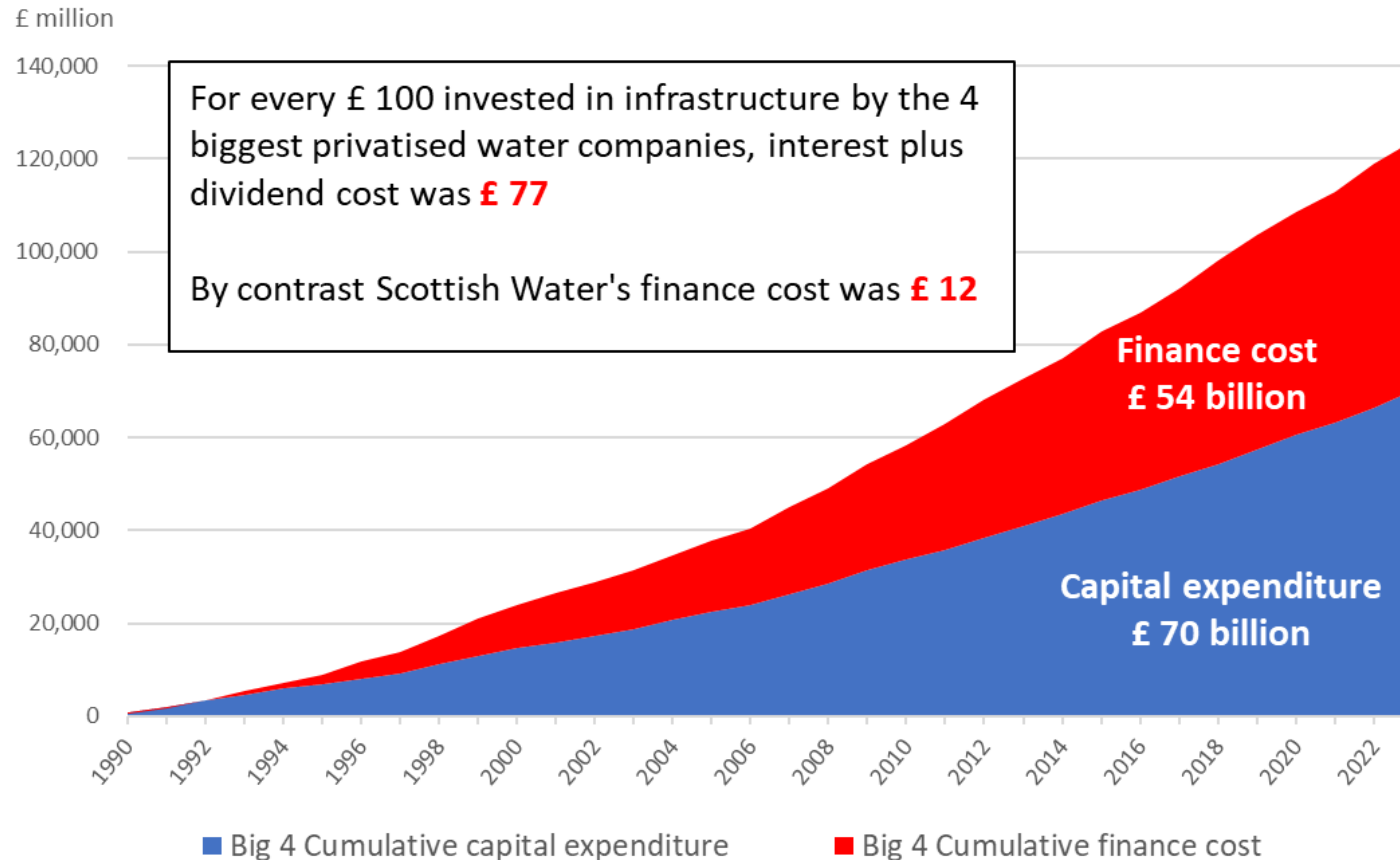


## 2. Companies borrowed to finance excessive dividends, not capital expenditure



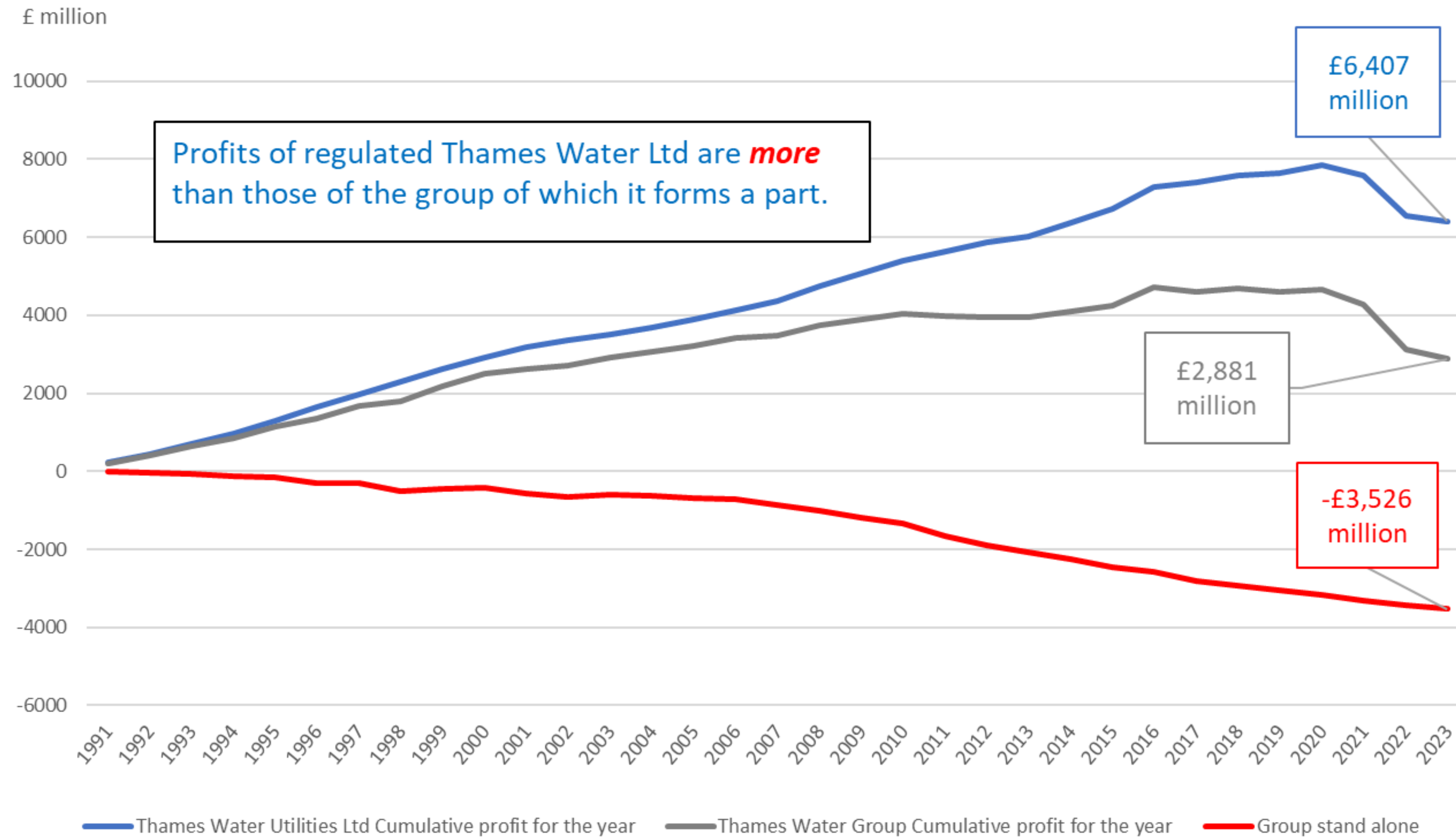


### 3. Privatisation didn't bring financial efficiency





## 4. Group companies can be a burden, not a support, to regulated companies





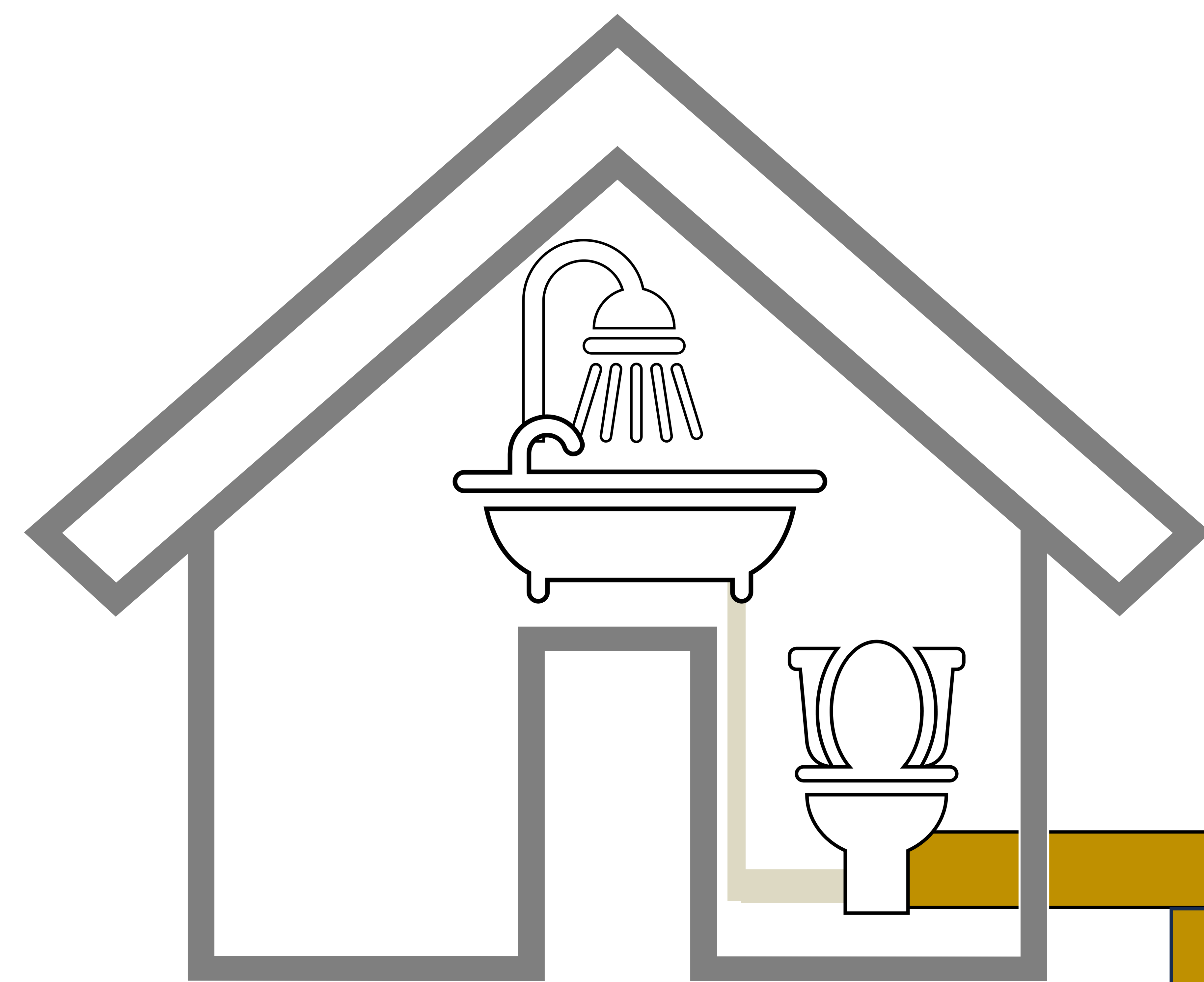
# Professor Peter Hammond

## WINDRUSH AGAINST SEWAGE POLLUTION (WASP)



1. Water companies make illegal “dry”/“early” sewage spills at STWs & pumping stations.
2. “dry” = in no or very little rainfall; “early” = before STW or pumping station is at capacity.
3. Event Duration Monitors record spill frequency & duration BUT produce unreliable data.
4. They should be replaced by more reliable flow meters which also record spill volume.
5. Spill volume could be basis for levies on sewage spills and fines for those proving illegal.
6. Water companies make statutory, monthly quality tests of treated sewage for EA/DEFRA.
7. They also monitor treatment quality every 15-mins but don’t submit data to EA/DEFRA.
8. This PRIVATE monitoring data should be openly available for public scrutiny.

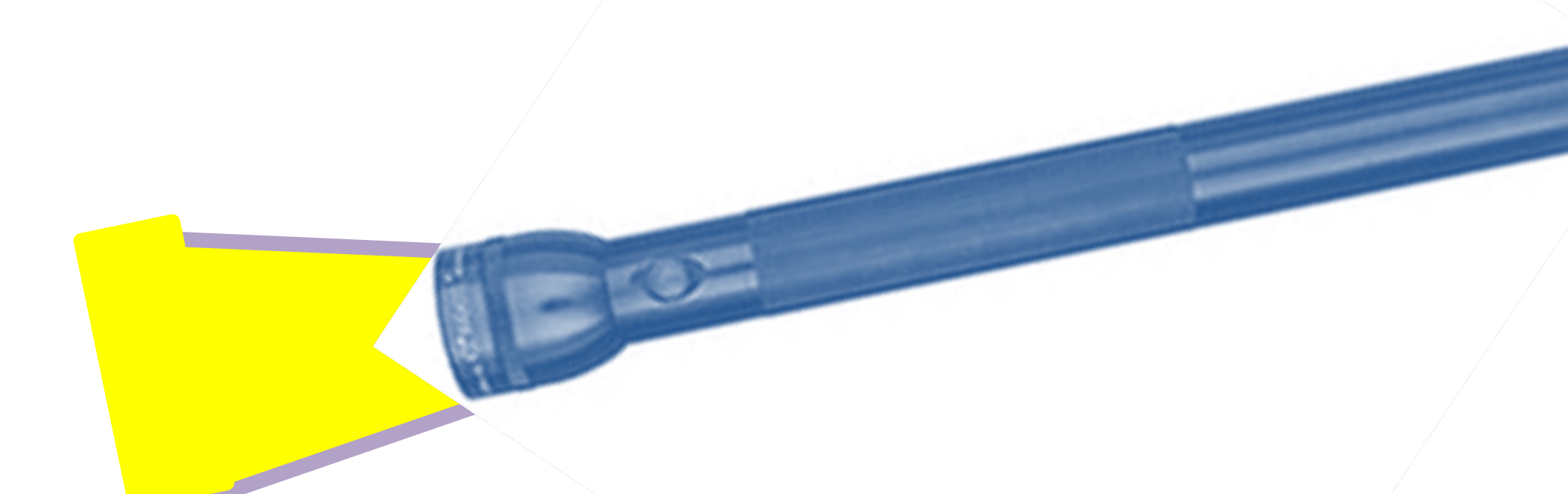




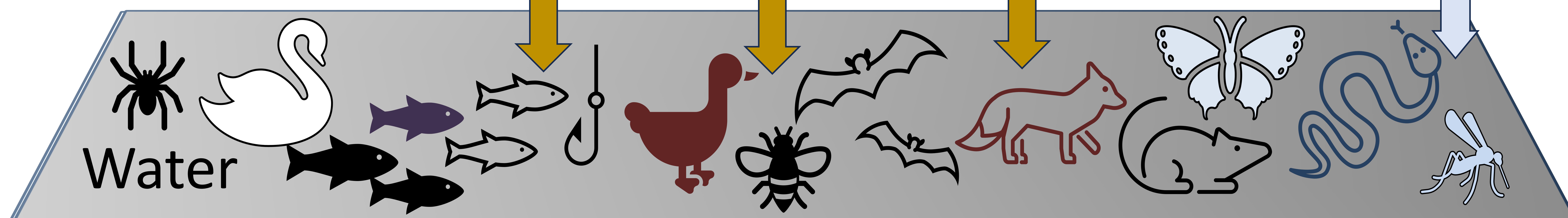
SPS



Cyfoeth Naturiol Cymru  
Natural Resources Wales



Environment  
Agency



Water

— SPILL EVENTS (k)

— SPILL HOURS (M)

4

3

2

2021

2022

2023

460

360

260

160

2021

2022

2023



# WASP analysis of industry data reveals 9,000+ illegal spills

Mar'21: **926** pre-EDM spills @ **2** STWs

Oct'21: **735** illegal spills @ **14** STWs

Jan'22: **2,405** illegal spills @ **44** STWs

Sep'22: **1,516** illegal spills @ **40** STWs

May'23: **11 bn litres** by **30** STWs in 2020

Oct'23: **2,275** illegal spills @ **11** STWs

Oct'24: **1,374** illegal spills @ **85** STWs

**The Guardian**

THE  TIMES

THE  TIMES

THE  TIMES

**The Guardian**

**BBC NEWS**

**The Observer**  
Water



# Concern for future : unreliable EDM data

June'24:

**200 Severn Trent STWs** for 2021 and 2022

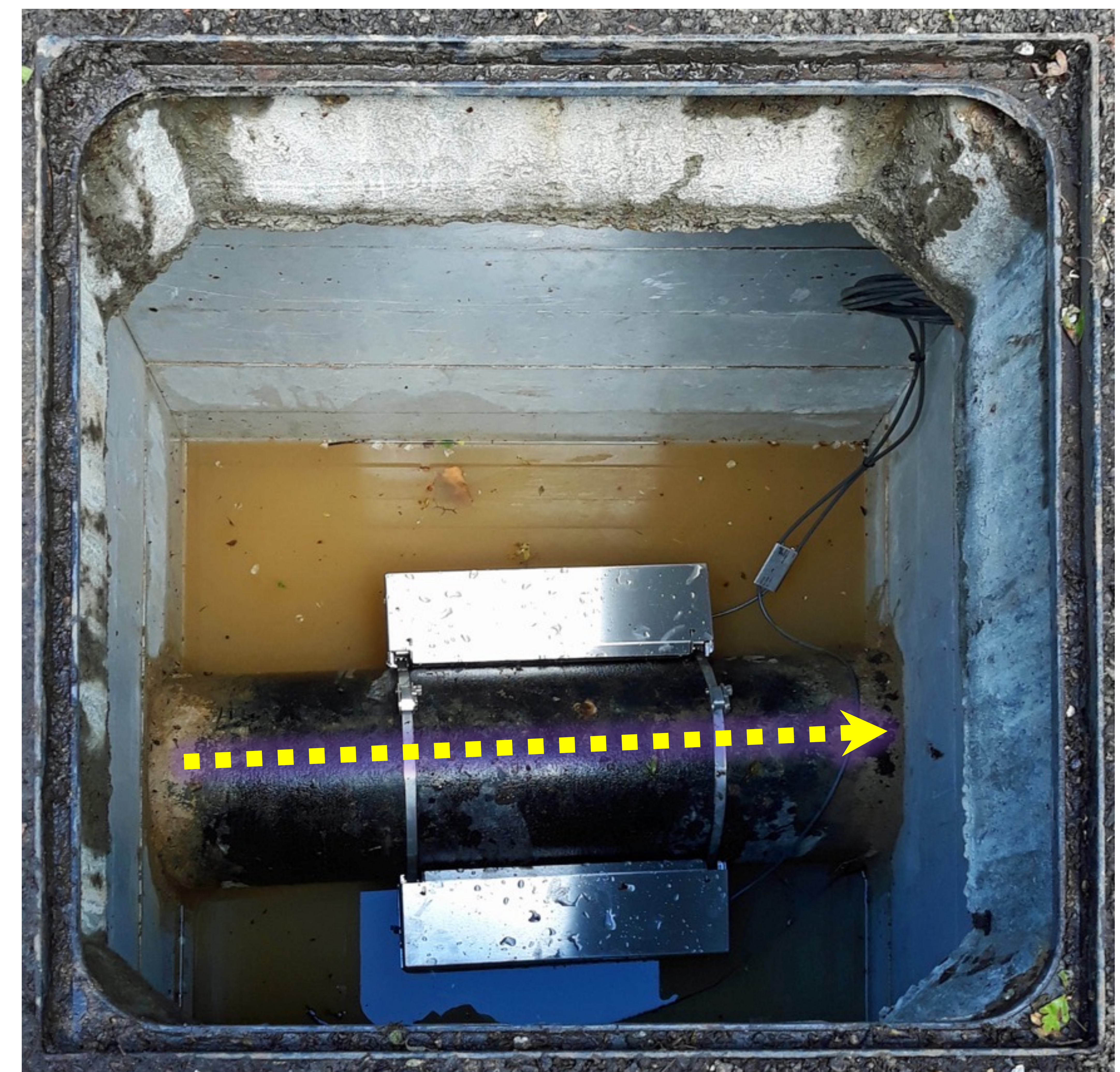
**220 (55%) of 400 annual EDM data series had errors**

THE NEW STATESMAN

replace  
EDM  
devices

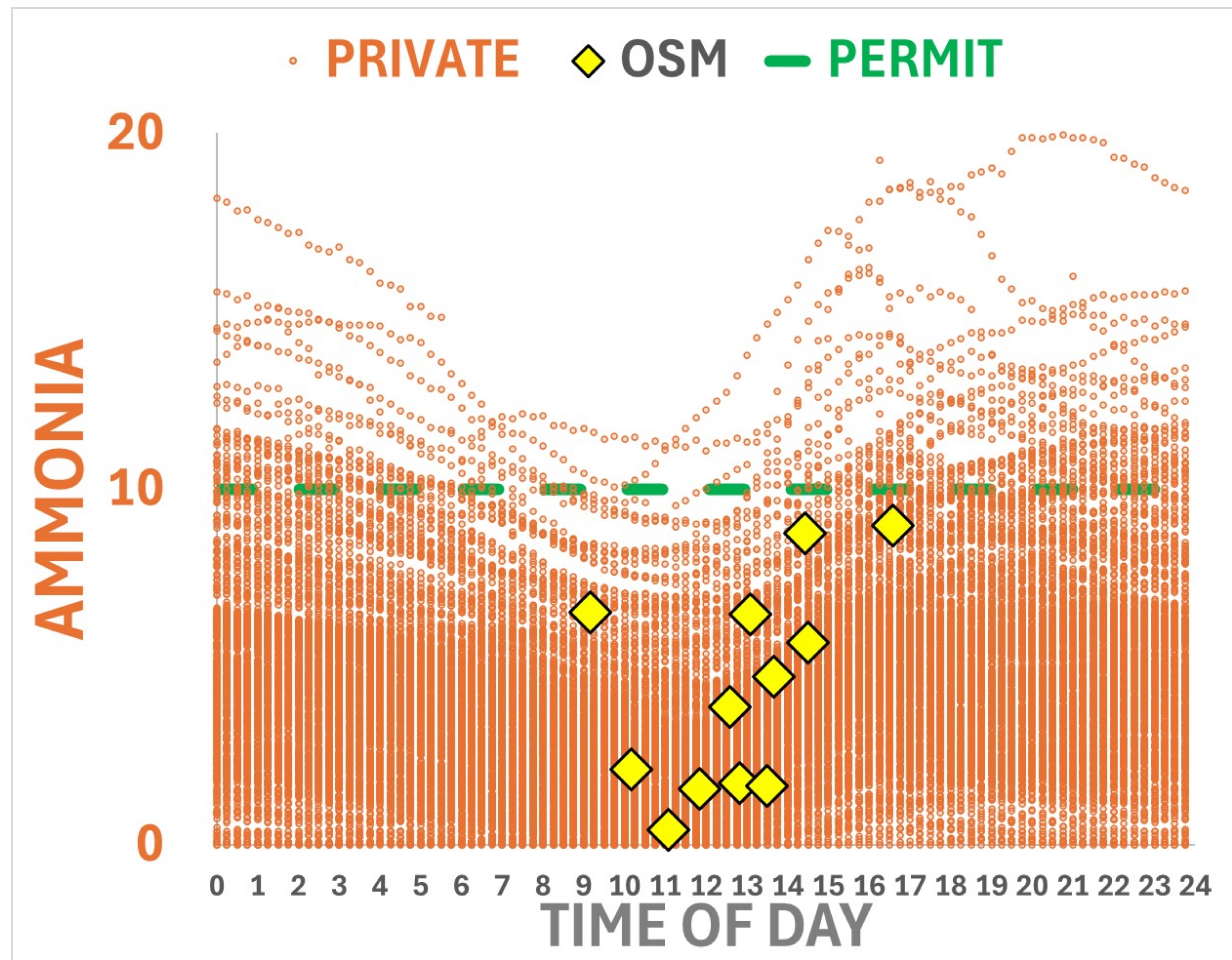


with  
flow  
meters





# Concern for future: use of private data



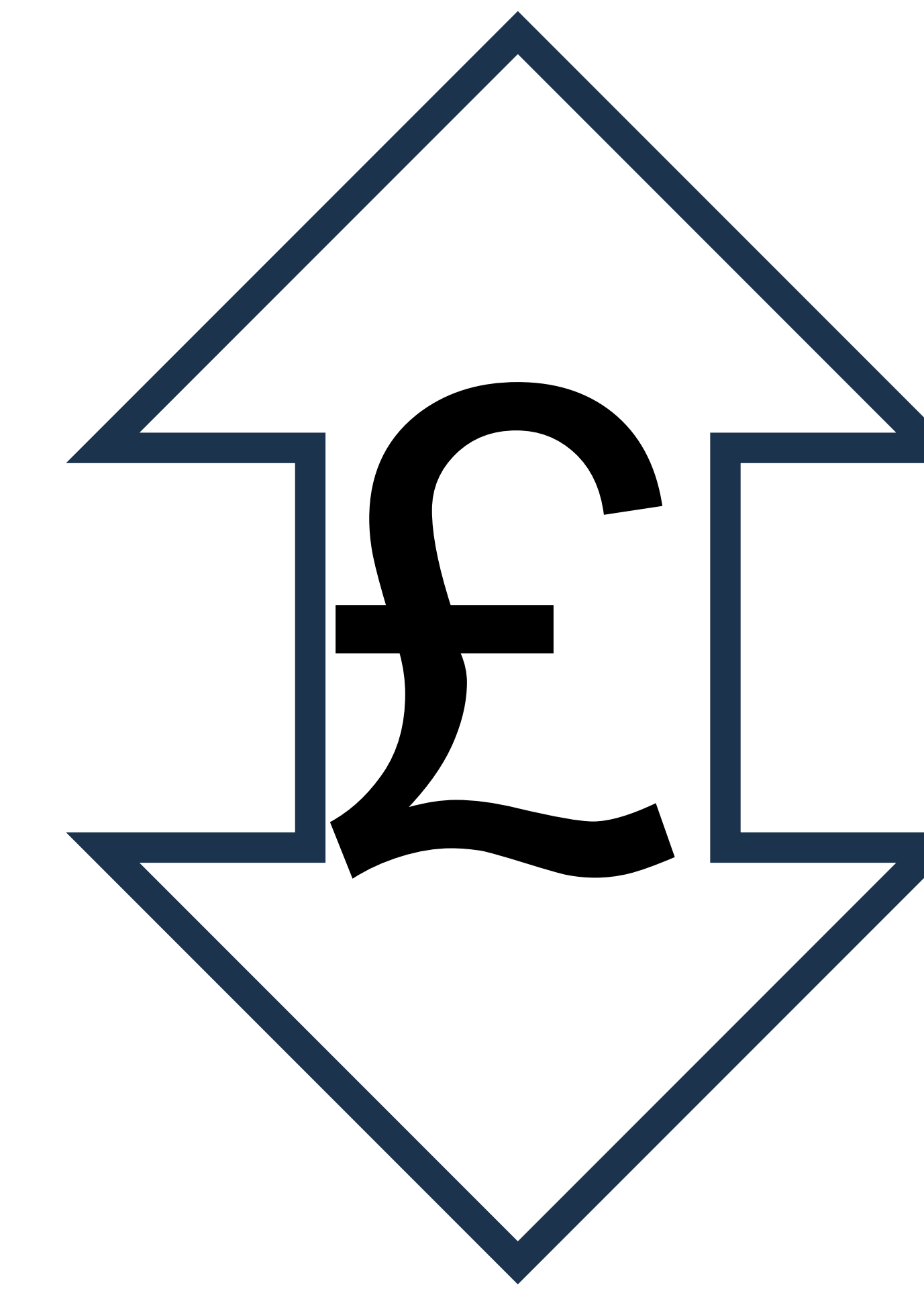
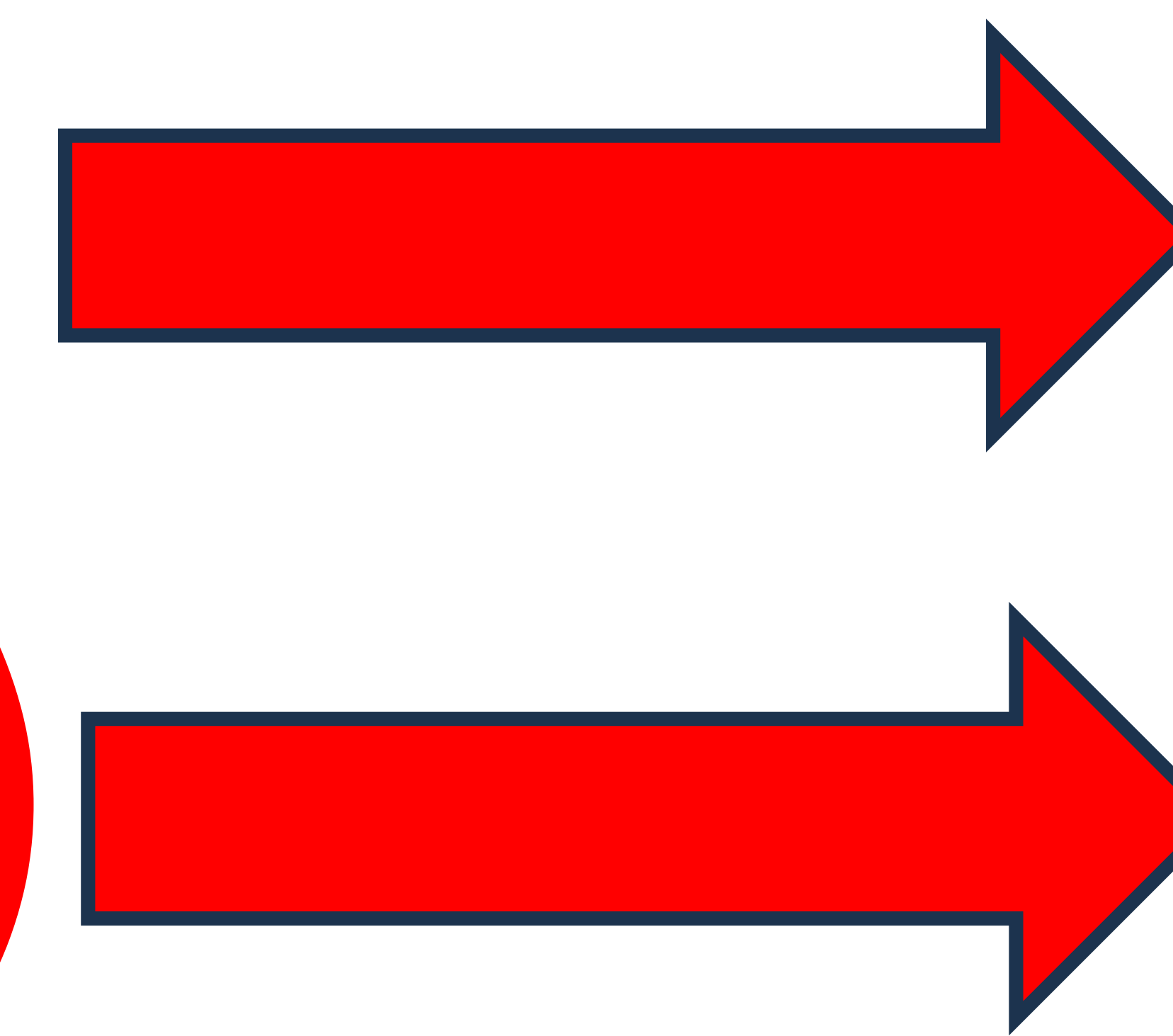
make  
private data  
available for  
open review  
of treatment  
quality



# Concern for future : financial regulation

Ofwat

treatment quality  
spill frequency (from 2026)





# **Professor Ewan McGaughey**

**PROFESSOR OF LAW, KING'S COLLEGE LONDON**

## **Choices facing this government**

- Do Nothing OR Companies Lose License?
- Lose License for Insolvency OR Performance?
- Bail out Banks OR No Polluter Bailout?
- Transfer to Private OR Not for Profit/ Public Body?

**Contact: [ewan.mcgaughey@kcl.ac.uk](mailto:ewan.mcgaughey@kcl.ac.uk)**



# 1. Do **nothing** – or companies **lose licence**?

- **Ofwat can approve bill rises of 40%** (Thames Water wants 53% - to get taken over). Creditors unlikely to petition for insolvency
- **About £12.5bn payments likely to shareholders in next 5 years.**
- **Hedge funds can buy debt + choose next water managers.**



- No water company has yet lost a licence, but:
  - Railtrack→ Network Rail
  - Bulb Energy→ Octopus
  - NHS foundation trusts into special measures, e.g. East Sussex NHS.
  - FE colleges lose licences
  - Drivers lose licences if they get 12 points
- **Possibility to lose licence will improve outcomes.**



## 2. Lose licence for **insolvency** or **performance**?

### Normal Administration

- **Banks take over** running of company ('secured creditors') by applying to court to appoint their favoured administrator;
- **Administrator acts for the benefit of creditors;**
- Administrator tries to rescue company (rare), or **sell business to a new entity paying secured debts (normal)**, or shuts down business and liquidates (if hopeless).
- Insolvency Act 1986 Sch B1.
- **Modified for public/essential services.**

### Special Administration

- **Government takes over** running of company by applying to court to appoint its favoured administrator **for 'serious' failure**, or insolvency;
  - **Administrator acts for the benefit of the public**/statutory purpose of fulfilling public service functions;
  - **Administrator must avoid shutting down company and can transfer without paying secured debts** if this would interfere with functions of the company.
- Water Industry Act 1991 s 24, and Schedule 3, para 5.



### 3. **Bail out banks** or **no polluter bailouts?**

- **Government can choose to assume all debts** of a company in special administration.
- **“Project Timber”** of Sunak government suggested Thames Water creditors get **paid 60% to 95% of debt**
- Government can say **taking debts obstructs fulfilling water company functions**, eg end sewage
- **Zero bailouts or bill rises good starting point** given companies' total failure

Thames Water nationalisation plan could move bulk of £15bn debt to state

Exclusive: Under Whitehall blueprint for water company some lenders could lose up to 40% of their money

Anna Isaac City  
editor

Thu 18 Apr 2024 18.10 BST



Top-rated UK water firms 'dumped 1,374 illegal spills into rivers'

Exclusive: United Utilities and Severn Trent had four-star environment ranking but discharges breached permits, campaign group says

● **'Ankle deep in sewage': English spring water village suffers suspected unlawful spills**



**Contact: ewan.mcgaughey@kcl.ac.uk**



## 4. **Transfer to private** or **public body**?

- **Private borrowing costs high** for bad companies
- **Bills will pay for future shareholder returns**
- Next boards of **directors typically appointed by existing directors, shareholders or banks** (as in current model, unless changed)
- **Public borrowing costs lowest** rate possible
- **Bill payments go into investment** or be lower
- Board appointments can be set by law, with **better governance: staff, service-user + expert directors** (**as in Berlin, Paris, Groningen**, etc)



# **Professor David Hall**

**PUBLIC SERVICES INTL RESEARCH UNIT, UNIVERISTY OF GREENWICH**

## **Myths of Public Ownership and Compensation**

- The claim that public ownership will cost £90Bn is economically and legally wrong
- Compensation is decided by parliament which has wide discretion
- Public water is normal for over 90% of the world, pioneered in the UK
- Public ownership of Thames is eg over £800m p.a better value than rescue plan.

**Contact: [halldj@gmail.com](mailto:halldj@gmail.com)**



# **Benefits and costs of public ownership**

## **1. Economics of the problem**

Long-term extraction of finance without investment

## **2. The economic and social advantages of public ownership**

A better way of rescuing the Thames region water and sewerage services

## **3. Issues with transition to public ownership**

The myths of compensation

Issues re public debt and government liabilities

## **4. Lessons from the world and the constituencies**

Public ownership is normal and popular



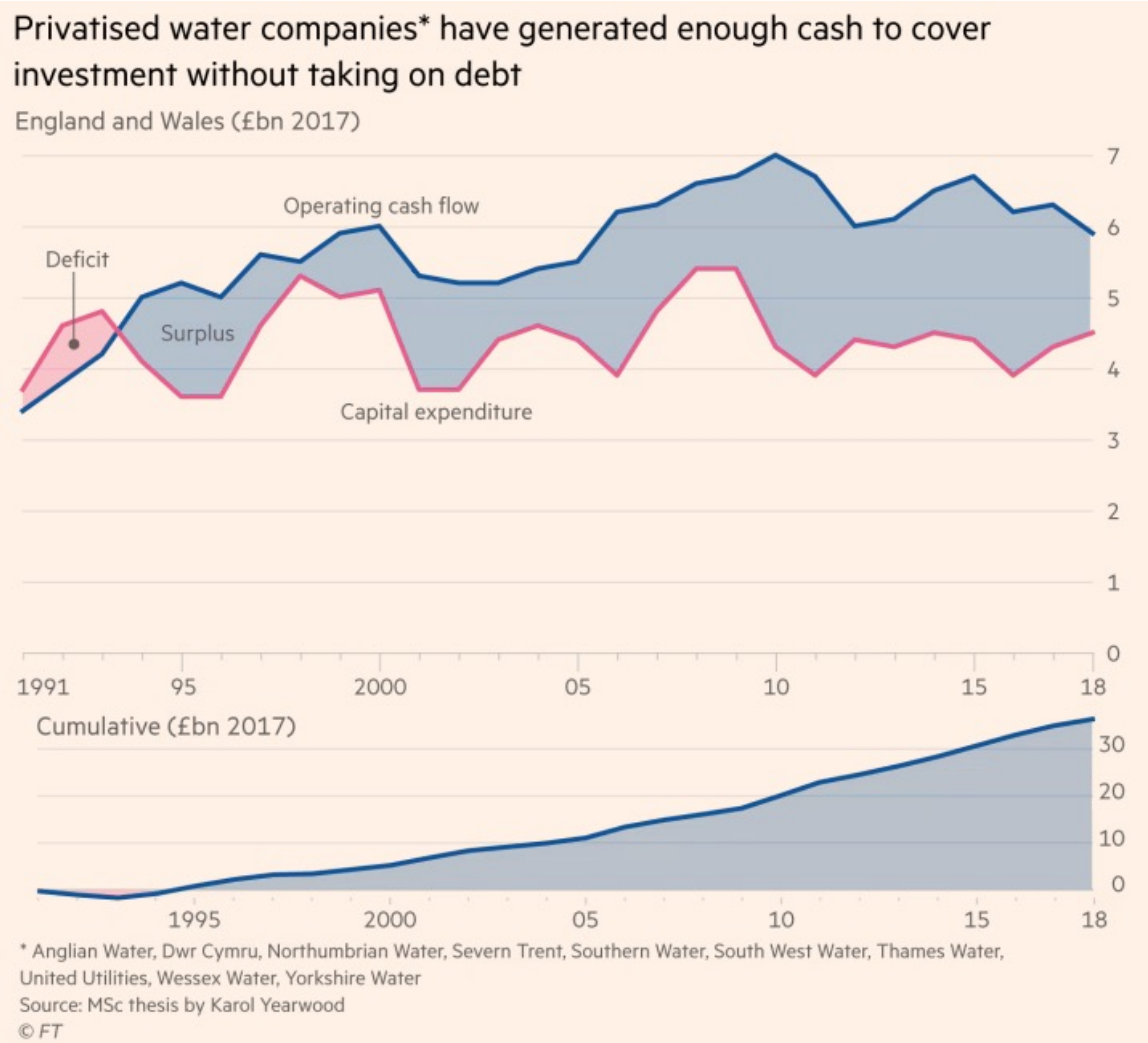
# Extracting, not Investing: Long-term private problem

Extraction over 35 years (all cos)	£billions @2023-24 prices	
	2024	2030?
Dividends taken 1990-2024	-83	
Reduction in equity 1990-2024	-9	
Total extraction by shareholders 1990-24	-92	
Net debt Mar 2024 (accumulated 1989-2024)	79	
Real increase in bills above inflation	58%	91%
Capex total 1990-2024	210	

Financial extraction	2024		
		Finance costs + divis as %	
		of company income	of capex
Company	Type		
Anglian Water	WASC	43%	70%
Dŵr Cymru	WASC	41%	92%
Hafren Dyfrdwy	WASC	9%	25%
Northumbrian	WASC	33%	78%
Severn Trent Water	WASC	28%	48%
South West Water	WASC	28%	37%
Southern Water	WASC	33%	40%
Thames Water	WASC	41%	51%
United Utilities	WASC	29%	74%
Wessex Water	WASC	47%	75%
Yorkshire Water	WASC	33%	61%
Affinity Water	WOC	27%	59%
Portsmouth Water	WOC	62%	49%
South East Water	WOC	38%	82%
South Staffs Water	WOC	27%	50%
SES Water	WOC	42%	138%
TOTAL WASCs + WOCs		35%	59%



# Investment: paid by consumers not debt or shareholder equity



Source: [FT 12 Oct 2018 Plimmer and Ford](#), [Yearwood 2018](#)

Contact: [halldj@gmail.com](mailto:halldj@gmail.com)



# Assessing the Benefits and Costs of Transition

- Benefits include eliminating dividends, reducing debt, lower interest rates
  - possible reductions in capital works costs e.g. as South Bend, Indiana
- Democratic efficiency gains: transparency, public planning, debate
- Compare continued private ownership
  - Dividends unrelated to performance, growing debt, shareholder loans
  - Costs of financing 'rescue' bonds
  - Price rises indexed to cover e.g. interest rates
- Costs: base on range of possible measures under Special admin
  - May result in reduced cost of finance, zero or small cost of compensation
  - Even nationalisation basis would be far short of scare figures



# Special administration: no compensation formula

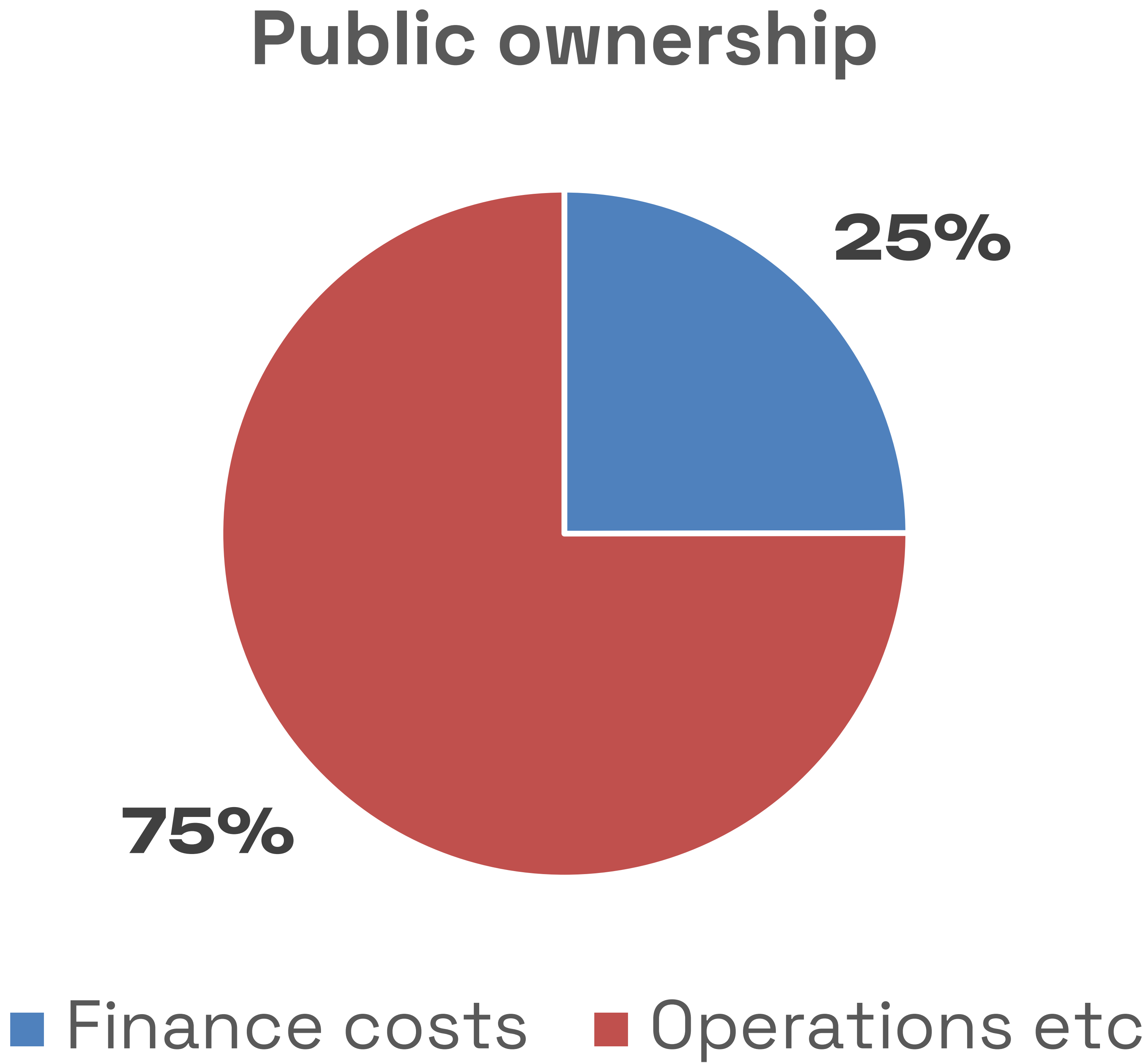
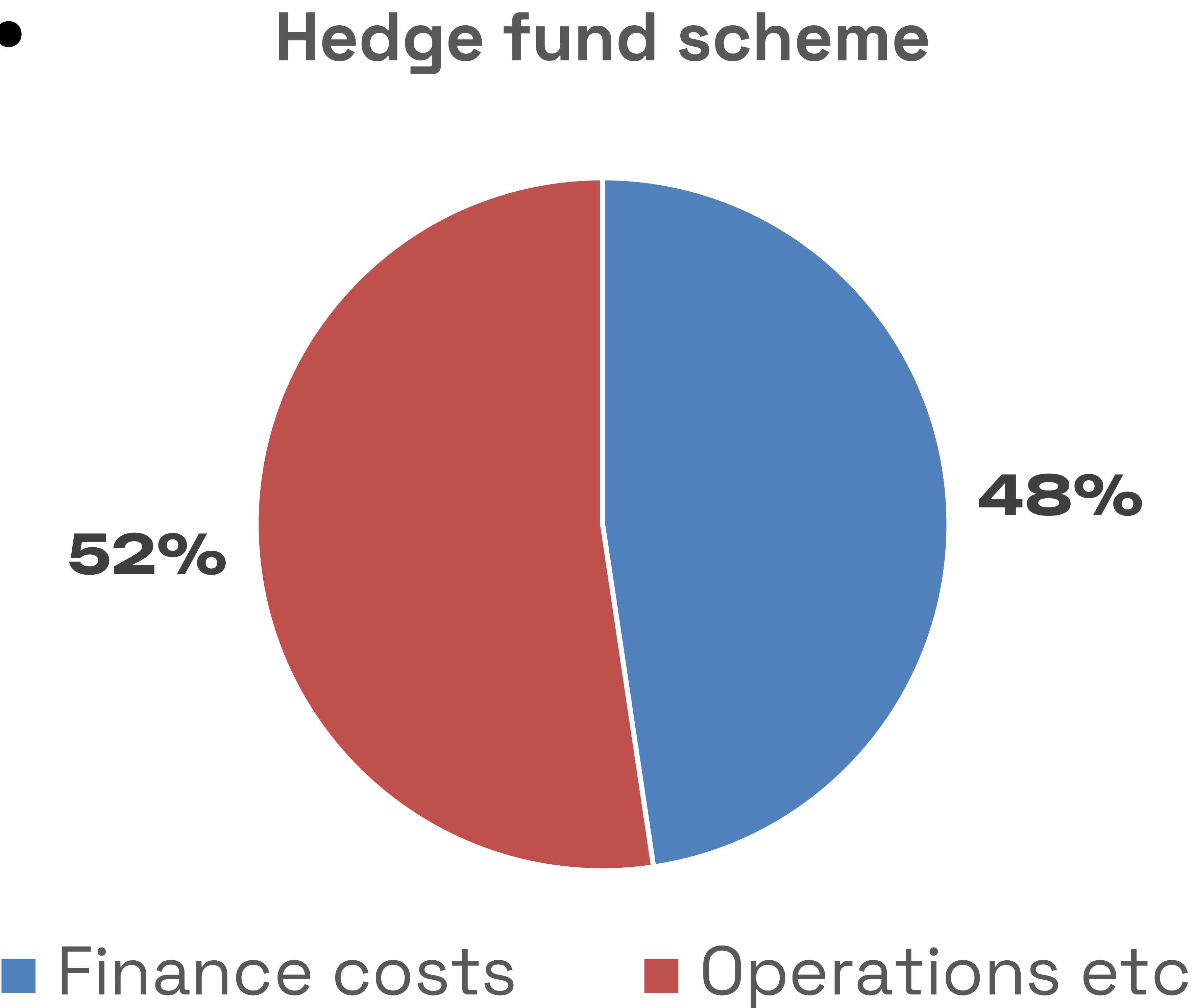
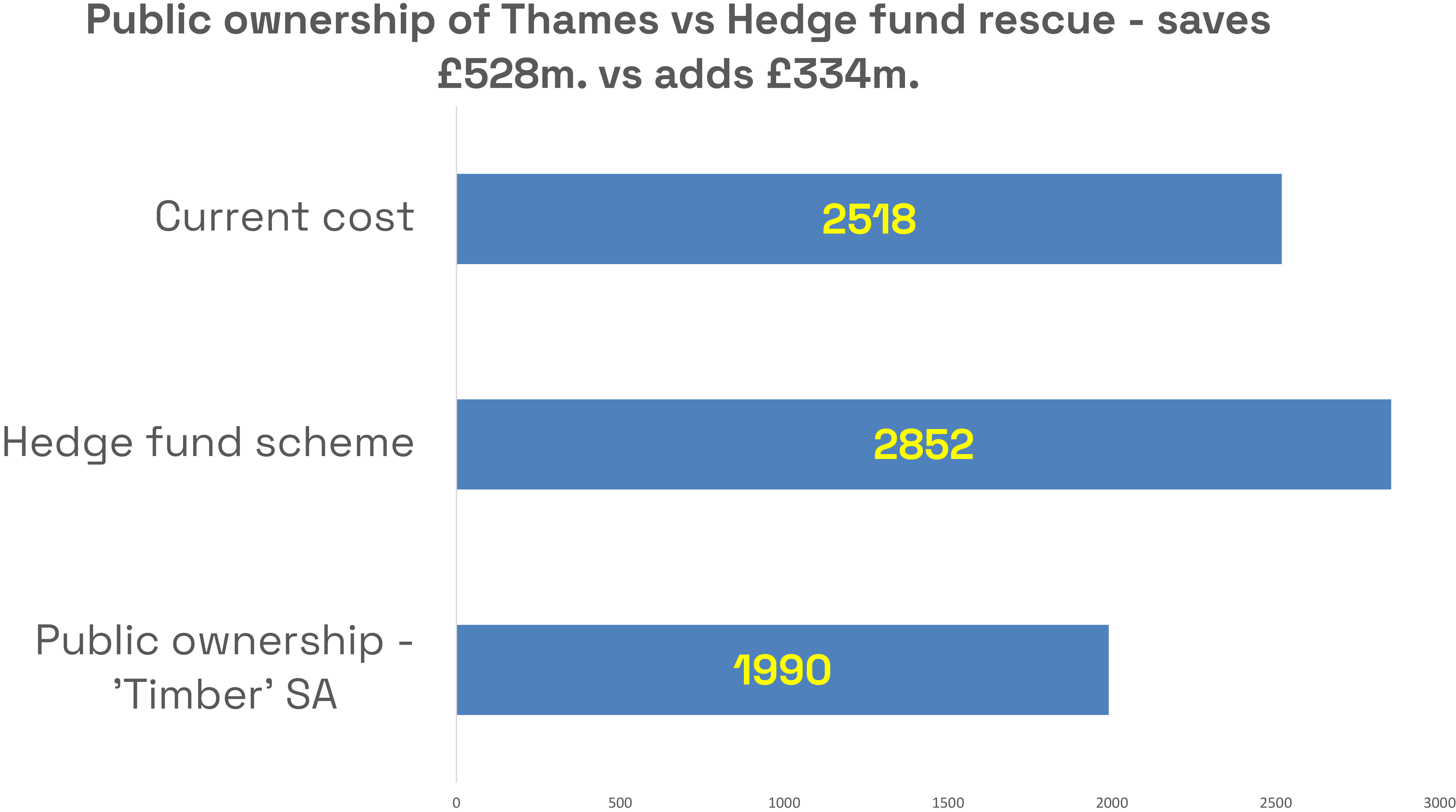
Case	Year	Govt	Type	Compensation	Comment
Railtrack > Network Rail	2002	Lab (Blair)	SA	£500m.	Rail network: owners lose court case
Northern Rock	2008	Lab (Blair)	SA	£0	Bank rescue: owners lose court case
Sewers and drains	2011	Con-Lib	Leg	£0	154000km of private off-grid sewers transferred to WASCs
Energy System Op	2023	Con-Lab	Leg	£630m.	Govt criteria, agreed, not formula
‘Timber’ plan for Thames?	2024	Con-Lab?	SA	£0	Zero for owners, -40% for creditors

- Special admin: financial failure, or failure of service not a ‘nationalisation’
- Transfer of service to new operator is key step
- Compensation : see practice
- No fixed right or formula for nationalisation either. Courts say: [“‘Legitimate objectives of ‘public interest’, such as pursued in measures of economic reform or measures designed to achieve greater social justice, may call for less than reimbursement of the full market value’”](#).
- “£90billion” is from [“poor, superficial, economically illiterate”](#) paper
- Book value as discussed by Moodys, FT would be £13.3bn
- [ISDS v rare vs global north, relocation doesn’t work e.g. Philip Morris](#)



# Public Ownership of Thames vs Hedge Fund Rescue.

## Variation in company revenues from bills





# Government: debt of public companies, guarantees for privates?

- **Public water company debt: not government debt, but included in PSBR**
  - Treasury already uses ‘hybrid’ presentations eg for nationalised bank debt
  - Rachel Reeves could change UK PSBR rule to EU rule, excludes public corps
  - [Moody's rate public cos](#) by same method as private, then adds govt support
- **But risk of significant government support for private companies**
  - Thames Tideway Tunnel, seen by Steve Reed as good example: 2016 [Defra](#) signed contracts **“which commit the Secretary of State to provide contingent financial support”**. Includes ‘supplemental compensation’, a ‘market disruption facility’, and a ‘contingent equity support’.
  - [Covalis bid for Thames includes govt ‘golden share’](#): [Moody's](#) says this = “2 categories higher”
  - similar hedge fund rescue of PG&E grid in California depends on deals with Calif government for [\\$21billion state insurance fund](#) ; and allows PG&E to [shutdown grids in ‘fire’ weather](#)



# Government: break up of water companies

- **Risk of asset stripping, outsourcing and breakup of WASCs**
  - [Covalis bid](#) for Thames would “sell of billions of pounds of the troubled water company’s assets – including, potentially, entire regions such as the Thames Valley – and then publicly list the remaining rump...Suez would act as the operating partner
  - **Defra Review** will not consider public ownership” [Reed says](#) “ Nationalisation of the water sector will not be in scope, because of the high costs of buying out the current owners, lack of evidence that it would lead to improvement, and the long delays that it would cause in the process of cleaning up polluted water and serving customers better.”



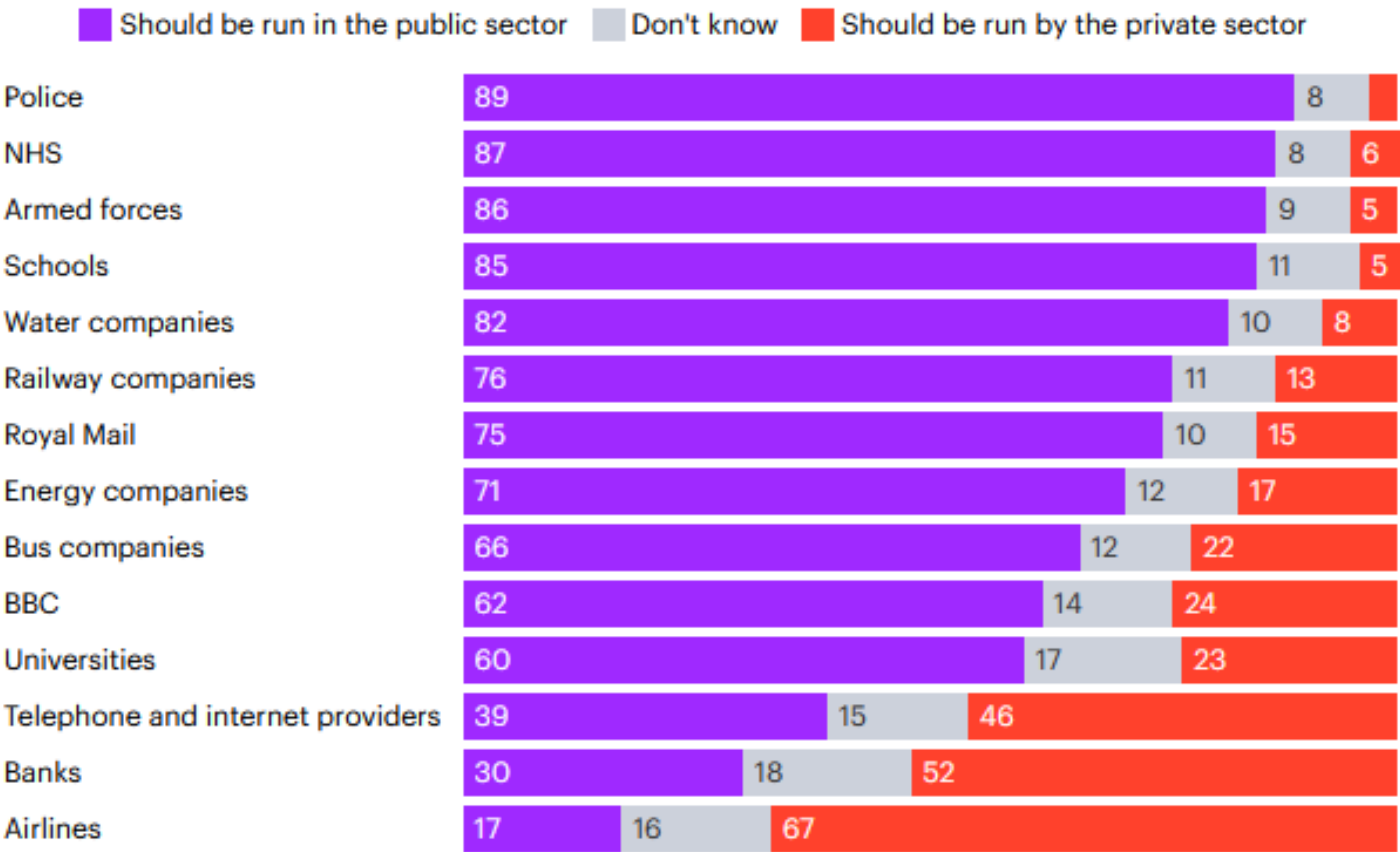
# Public water: normal for over 90% of the world, pioneered in UK

1. Globally, over 90% have public sector water services: lower prices, efficient, cheaper finance, democracy
  - E.g. [in USA 89% of water, and 97% of sewerage is public sector](#) ; still public in Scotland, N Ireland
  - Municipal water and sewerage authorities in USA get better credit rating than English water companies eg [Spotsylvania, Virginia](#) has Aa1 rating, 5 notches above any English company (Moody's)
  - [Global trend is away from privatisation](#) eg in [France](#) water was remunicipalised in Paris, Lyon, Nice, Montpellier, Bordeaux, Rennes and Grenoble. Also e.g. Berlin, Germany and Atlanta, USA.
2. In a few countries eg Netherlands water privatisation is illegal
  - Waterleidingwet 2004 (articles 3i,3j,1f.): “It is forbidden ....except for a water company over which control is exclusively exercised by public authorities (“*publiekrechtelijke rechtspersoon*”)
  - [public sector water bank](#) Nederlandse Waterschapsbank, AAA-rated, above UK govt
3. Great shift to public water and energy in 19<sup>th</sup> century:
  - led in UK [by Joseph Chamberlain \(Liberal party\) in Birmingham](#)
4. 1974 UK created integrated water-sewerage authorities for river basins
  - pioneering shift from multiple municipal services to environmental management



# Most Britons say utilities and public transport should be run in the public sector

Do you think the following should be nationalised and run in the public sector, or privatised and run by private companies? %



YouGov

12-13 June 2024

Very popular: huge public support for public ownership

Public always opposed water and energy privatisation from 1980s to today.

Support for public ownership grows stronger since 2017

Source: [Yougov July 2024](#)

Contact: [halldj@gmail.com](mailto:halldj@gmail.com)



# Proposed Amendments

1. Stop water companies and regulators ignoring the law; put failing companies into special administration
2. Stop the public bailout of the water industry
3. Reform Ofwat duties to be for clean water, conservation and reasonable bills
4. Prosecute CEOs that persist in breaking the law



# **Feargal Sharkey**

**CAMPAIGNER**



# Thank you

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