



All Party Parliamentary Water Group

Co-Chairs: Angela Smith MP and Baroness McIntosh of Pickering
Vice-Chairs: Neil Parish MP, Lord Bird and the Earl of Selborne GBE FRS
Treasurer: Luke Pollard MP

Is there a crisis of trust in water companies? (Non-Verbatim Minutes)

Thursday 20th July, Committee Room 21, Palace of Westminster
5.00pm – 6.00pm

The All Party Parliamentary Group's July meeting discussed whether there is 'a crisis of trust in water companies'.

Guest Speakers:

- John Russell, Senior Director of Strategy and Planning, Ofwat
- Michael Roberts, Chief Executive, Water UK
- Tony Smith, Chief Executive, CC Water

Angela Smith MP chaired the meeting, welcomed attendees and introduced the guest speakers.

John Russell said that Ofwat is alert to customer and public concerns about water companies. He explained that Ofwat is challenging the sector to deliver for customers, and recognises the need for a legitimate public debate about corporate behaviour. He emphasised that customers should be at the heart of water companies' operations, and that the sector must learn lessons from recent events such as the freeze-thaw damage.

Michael Roberts agreed that there are serious challenges facing the sector and its reputation. He argued that there isn't a crisis of trust in water companies, citing recent polling which found that customers trust their water company over other major utility suppliers.

He did however agree that improvements need to be made. In addition to the Secretary of State's recent challenge to the sector, he said that action is being taken to change corporate business practices. He concluded by acknowledging the concerns of customers and reiterating the importance of improving the public perception of water companies.

Tony Smith urged water companies to focus on providing value for money for customers. He described a pattern of distrust where consumers are subject to a spike in costs without seeing an improvement in the service they receive. He stressed that water companies should communicate more clearly with their consumers about bills if they are concerned about a crisis of trust. Finally, he said that the regulator should be tougher on the sector by tightening regulation to help strengthen customer service.



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Angela Smith MP thanked the panel for their contributions and then asked Co-Chair of the APPG, **Baroness Anne McIntosh** for her thoughts on the topic. Baroness McIntosh outlined that water companies should continue to build on the achievements made since privatisation. She added that any improvements to the service must be factored into customer bills in a fair manner.

John Russell said that companies should re-focus on the social contract between consumers. Addressing the issue of trust, he agreed that executive pay and some investment schemes have contributed to a crisis of trust.

Tony Smith said that water companies should demonstrate to customers what they are doing with their money in order to improve trust. He argued that South West Water in particular have made significant improvements in this regard and encouraged companies to adopt the Welsh Water model.

Lord Balfé argued that poor communication lessens trust amongst consumers. He then criticised the business practices of water companies, and the use of taxpayers' money.

Michael Roberts said that water companies do contribute fairly to the tax system, particularly through National Insurance Contributions. He added that additional tax burdens would increase customer bills and harm investment. He concluded that, fair tax is paid and any increase would be passed onto the customer thereby decreasing trust.

Angela Smith MP said that regulation should be strengthened to increase trust in water companies.

John Russell said that the majority of water companies are not complacent. He argued that companies are pushing very hard to reform finance to show investors that they are on the side of the customer.

Tony Smith argued that a regulatory incentive is needed to encourage communication with customers and in the long-term water companies should be more proactive with spreading a positive message.

Emily Shirley asked the panel if the amount of money paid out to shareholders is affecting trust. **Tony Smith** answered by stating that financial gains need to be shared with customers.

Michael Roberts explained that water companies are making changes. Thames water for example is not paying a dividend this year; it is investing capital into the company to resolve issues such as leakage.

Angela Smith MP thanked the panel and guests for attending and closed the meeting.