

YOUR REF

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The Leading Public Service Union

John Corey General Secretary

Keith Hunt
Water Regulation Directorate
NI Authority for Utility Regulation
Queens House
14 Queen Street
BELFAST
BT1 6ED

06 November 2009

Dear *Keith,*

**WATER AND SEWERAGE REVENUE AND CHARGES PRICE CONTROL
2010-2013 – DRAFT DETERMINATION SUMMARY DOCUMENT**

1. I am writing on behalf of NIPSA, which represents in excess of 46,000 members across both the public and civil services. These comments have been discussed with our Trade Union colleagues in the Water Group of Trade Unions, which includes UNITW, GMB and NIPSA and they are also supportive of the points made in this submission. This response has also been copied to the DRD Assembly Committee and DRD Shareholder Unit.
2. NIPSA reserves the right to supplement this response in future discussions with the Department, Assembly Committee or other interested parties.
3. NIPSA would assert that as the DRD Minister and the Assembly Executive have, on a number of occasions, publicly given assurances that the Water Service/NI Water will not be privatised there is absolutely no requirement to continue with the Utility Regulator as a Non-Ministerial Government Department in its current form. The responsibility for the democratic public accountability for the provision of this service should be passed to the DRD Assembly Committee and Public Accounts Committee.
4. The Draft Determination recommendations are predicated at least in part on inaccurate calculations, errors, unreasonable comparisons and unrealistic timescales. It takes scant account of the historical context and lack of infrastructural investment over decades as well as the comparative differences between the NI Water and other Utility providers in Britain.
5. The assertion that additional savings can be achieved beyond that contrived in the NI Water Business Plan is, in NIPSA's view, unrealistic

and unachievable. We have had a difficult period over the last couple of years in working through the changes introduced by NI Water with resultant job cuts since April 2007. It will be equally difficult to maintain relationships as NI Water attempt to achieve the efficiencies outlined in their Business Plan. You can be assured that any attempt to go beyond NI Water's already restrictive proposals will be met with strong resistance by workers across this company. The Draft Determination would, if implemented, undoubtedly create industrial unrest on an unprecedented scale, which is not in the interests of the company, the workers or the public.

6. The estimated efficiency savings are so significantly inflated to be unachievable, suggesting that another agenda is at play whereby the GoCo fails to meet the targeted cuts, presenting some contrived justification for the privatisation of this vital public service. It is important to put on record that NIPSA, the Water Group of Trade Unions and the ICTU led Water Coalition, along with the general public will not stand idly by and allow this to happen.
7. It is noted that until very recently there has been only minimal engagement with NI Water directly by the Utility Regulator. Perhaps if this had occurred earlier some of the inaccuracies in the document could have been avoided. One example to illustrate this point is that the GoCo has identified what they consider to be errors totalling £25.5m in calculations for one particular area. If this is indeed the case it is remarkable that such a mistake has been made by the Regulator.
8. The scale of the proposed cuts to operating costs, clearly deliverable through massive job cuts across the 3 years would result in a significant reduction in levels of service to the public, satisfaction ratings from customers, job stability for workers and potential negative publicity for the Department and Executive itself.
9. These proposals take no account of the different position in which NI Water finds itself compared to other utility providers, for example:
 - English companies were given a substantial dowry to modernise.
 - Comparable plans to the one proposed here are normally spread over a 5 year period, instead of 3 as in this case, with not even a pretence of justification for this imposition.
 - An unjustifiable suggestion that the cost of laying 125 miles of new pipes could be provided for the price of 99 miles, given that

the basis of this suggestion is not based on any engineering comparator, with all the technical issues which this would involve, but rather comparing prices against buildings such as churches. No evidence has been provided to demonstrate that the cost base is cheaper here than in England.

10. Despite what I understand was the Minister's request not to base any calculations on income derived from water charges, this was ignored using an unsubstantiated average contribution of £350 per household, with the resultant suppositions and speculations. This is unhelpful at this time.
11. The overall revenue reduction is 11%, however the proposed cuts in operating expenditure is a staggering 19.5%. It is a devastating message to send to a dedicated staff, many of whom have provided many years of unbroken service to describe such a decimation of the workforce of what could amount to several hundred workers as "*a great opportunity*" for the company and its staff. You can be assured that our members do not view this assault on them as "*a great (or enormous) opportunity*".
12. No account appears to have been taken of the requirement to cover the ongoing annual costs of purchasing licenses or the requirement to cover ongoing costs for rates on the estate. It is insufficient to suggest that costs such as these could possibly be covered by other efficiencies.
13. It is disingenuous to benchmark at this stage, NI Water's operational efficiency against English and Welsh companies. This is not comparing like with like, ignores significant investment provided by the British Government to facilitate privatisation in England and Wales. It ignores the significant improvements gained from infrastructural changes e.g. new pipes equates to less burst mains, less leakages, less repairs, with the resultant improvement in water quality and sewerage control and treatment. It is cynical to use such a comparison given the knowledge of the significant differences which exist, almost exclusively because of years of neglect and under investment in the local Water Service.
14. It is appalling that at a time of such economic difficulties the Regulator has proposed a continuation of the discredited method of paying individual bonuses to managers. There is substantial evidence to illustrate that the culture of awarding large bonuses to senior managers in companies leads to a corrosion of any sense of public service. It must be remembered that NI Water remains a public service, funded by Government, it is not, nor will it be, a share holder owned private company, driven by obsession to make money for the few.
15. With regard to the baseline determinations, justification appears to be scant when challenging figures provided by NI Water but also equally

scant when suggesting an alternative Regulator figure. This is most graphically illustrated when dismissing a special factor claim of £24.5m submitted by NI Water, to be replaced with a Regulator figure of £4.3m with little or no justification or explanation provided in any of the documents.

16. An annual efficiency cut in operating costs of 6.9% is in NIPSA's view, unachievable, regardless of what the Regulator's consultants have advised. Again there is a distinct lack of detail in relation to the references to savings achieved elsewhere or indeed the context within which these savings were *"actually achieved by other utility companies in the past"*.
17. NIPSA would argue strongly that a public utility such as water is always best maintained and controlled by and accountable to the public. The GoCo status bestowed on the Water Service in April 2007 is no longer appropriate in the circumstances where it has already been determined that the Service will not be privatised. Serious consideration should now be given to rectify this situation as a matter of urgency to end the persistent speculation and uncertainty and bring the service back under the direct control of the Government and the public.
18. NI Water is not a monopoly business as indicated on several occasions in this proposal. Rather it is a publicly owned service accountable to the Assembly and the public. In this context NIPSA would contend that the Department and the Assembly should now assume control and develop its own appropriate accountability mechanisms to ensure efficient service and value for the public.
19. Contrary to what appears to be suggested by the Regulator's recent public comments, NIPSA does not believe that householders deserve a choice of supplier of water and would contend that it is a totally misplaced notion that the goal for water is a market which has had burdens removed to free it up to entry of other private companies (Utility Week October 2009). It is that type of thinking which attempts to maintain the wreckless drive to privatise. It is that drive to privatise which the public has persistently rejected and will continue to do so.
20. NIPSA accepts that the public requires and deserves modern and efficient water provision, demonstrating value for money for householders, alongside a committed, professional and respected workforce who are treated as a vital contributor to an excellent service rather than an expendable base unit, or who require a *"threat of takeover"* to incentivise them to out-perform the regulatory contract.
21. In conclusions NIPSA would contend that this Draft Determination is not a realistic or achievable proposal for a more efficient delivery of the service

to the public. We believe in fact that the Department and the Assembly should direct NI Water to work with all the Unions to continue to improve service delivery in the context and against the backdrop of a publicly owned and fully accountable water service through a robust democratic process, scrutinised by the Department, DRD Committee and Assembly.

Yours sincerely

A handwritten signature in black ink, reading "Paddy Mackel". The signature is written in a cursive, flowing style with a large initial 'P'.

PADDY MACKEL
Assistant Secretary