



True finance

In the 15 years to 1989 average water and sewerage bills in England and Wales rose by 2% a year in real terms; in the 15 years following privatisation in 1989 they rose by an average of 1.5% per year.

Since 1990 United Utilities has invested £7.5 billion in service and environmental improvements in the Northwest.

By March 2004, the accumulated debt of the water industry to the capital markets was £21 billion.

What we spend our money on (figs 2003-04)

Mobile phones £12 billion
Satellite TV £5.5 billion
Cosmetics £1 billion
Beer £18 billion
Mains water £3.8 billion
Sewerage £4.1 billion

Survey courtesy Water UK (sources Carphone Warehouse, TNS, Euromonitor, Ofwat, water companies)

TURNING UP THE AMP

The debating is over and five year's worth of environmental investment is on its way.

Words Louise Tickle Photographs courtesy United Utilities

When local water company United Utilities' (UU) yearly bill landed on doormats across the Northwest in April this year, customers may have noticed that the cost of water services had gone up. On the other hand, they may not have felt the pinch too keenly, because the rise is only £10 over the next 12 months, with the average bill increasing from £269 to just £279. However, by 2010 prices will have gone up almost a fifth, rising to £322.

So what are we going to get for our money?

The answer appears to be that some people will notice big improvements, while for others the changes will be less obvious. The lucky ones will find that their local beach or stream is cleaner than before and, whether they realise it or not, many people will be connected to better sewers and have cleaner drinking water (it's worth noting that Britain already has some of the safest tap water in the world).

Some people, however, remain frustrated at both the pace and scope of the improvements to the Northwest's environment. The Environment Agency (EA) in particular, which regulates river and bathing water quality, has criticised both United Utilities and the water industry regulator, Ofwat, for its refusal to back a number of projects that it says are essential if we are to meet new EU water quality requirements.

The system United Utilities inherited when the water industry was privatised in 1989 was far from ideal. At the time, the shocking amount of water leaking out from aging pipes was the headline grabbing story, especially when it exacerbated the threat of drought, but it wasn't the only problem. Much of the system was in urgent need of overhauling. United Utilities points out that since 1990 it has invested £7.5 billion in service and environmental improvements, including some £3 billion in just the last five years – that's the equivalent of £1.3 million every day since privatisation. The results have been dramatic – salmon have been spotted in the River Mersey, for example, which is cleaner than at any time since the industrial revolution.

During the latest five-year programme of works – Asset Management Plan 4, or AMP4, running from 2005-2010 – the rises in water charges approved by Ofwat will help United Utilities to fund a further £2.9 billion of investment and

maintain its huge base of assets. Complex engineering works will be undertaken in a staged programme of works, making for improvements to drinking water quality, sewer flooding, odour control and river and bathing water quality (see case studies).

Even so, thanks to its long history of industrialisation, the Northwest still has some of the most degraded aquatic environments anywhere in the country. Changing standards – and expectations – mean this is no longer acceptable. UU has been charged with investing to upgrade its wastewater works, partly to modernise some older wastewater treatment works – to tackle the issue of periodic unpleasant smells, for instance – but also so that the quality of effluent discharged into our streams, rivers and canals complies with tough new EU laws.

This is not simply a point about observing legal obligations that have been signed up to by the UK government; Walter Menzies, chief executive of the Mersey Basin Campaign, warns that the quality of the Northwest's environment – including its water environment – is crucial when it comes to attracting economic investment. To shake off its 'dirty old man of the North' image, success stories like that of Salford Quays will have to be replicated across the region, he says.

Whether it will be, depends on who you talk to. Exactly which improvements have been given the green light – and how much our bills will go up in order to pay for them – was the outcome of long and frequently contentious negotiations between the water companies, environmentalists, consumer groups, the Environment Agency and the water industry regulator, Ofwat, which had the task of making the final decisions.

Now, however, with the talking over and the dust settling, the priorities for investment are in place. At the same time that the new water charges came into effect in April, so too did the fourth Asset Management Plan, AMP4. Amongst other projects, work to upgrade sewers along the Rivers Irwell, Darwen and Calder and at Lake Windermere will go ahead as planned.

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Case study 1 – AMP4 investment going ahead
Coming up smelling of roses

For those residents of Stockport who have been troubled by the whiff of ammonia emanating from a local sewage works on and off for years, the new round of investment ushered in by AMP4 brings good news.

United Utilities has already carried out improvement work at the site, but the existing plant has components that date back to the 1920s. It will cost around £20 million to upgrade, with the plant's old treatment system replaced with state of the art technology. Rather than try to deal with odours once they have been generated during the treatment process, the new system will help to prevent smells being created in the first place.

Preliminary work is already underway and it is hoped that all construction will be complete by 2007.

60-second expert

April 2005 and customers in the Northwest receive water bills with an average £10 annual increase.

By 2010 the cost of the region's water will have risen by almost a fifth on 2003-04.

This price rise is to fund a £2.9 billion programme of investment and maintenance works by local water company United Utilities over the five years to 2010.

£1.54 billion will go on maintaining the water supply and sewage system, £1.19 billion on improving drinking water and waste water quality, and £0.14 billion goes on improving service performance.

A number of projects proposed by the Environment Agency for the 2005-10 pricing period have been rejected by the water regulator, Ofwat, on the basis that they cost too much compared to the benefit they would bring.

In truth though, the picture of the work that will be carried out over the next five years still exists only in broad brushstrokes. With so much money to be spent and a string of major engineering projects to be completed, the next step is applying the detailed planning.

Kevin Deegan, who is responsible for United Utilities' wastewater improvement programme, said: "When you look at the detail, we've got in the order of 2,500 major capital projects to complete between now and March 2010. This means that on average we have to start more than one project every day for the next five years – and we can't just turn up on a Monday and start digging.

"Not only have we got to meet the targets set by our regulators, we've got to meet the expectations of customers. We can't dig up whole towns in one go, we can't work around the clock in a built-up area, we need to take account of anything from a village fete to the nesting season of birds or the breeding season of fish."

Not everyone is satisfied with the new investment programme, however. The Environment Agency for one is critical of the way that Ofwat has funded AMP4. It points out that only a quarter of the money for investments will be used for environmental improvements. Sewer improvement projects in Manchester, Preston, Lancaster and Carnforth are now likely to be scrapped.

According to Clive Gaskell, the EA's strategic environmental planning manager for the Northwest: "We are now facing the real likelihood of the region's waters not coming up to European standards in the future. While we do welcome the improvements that the funding for schemes like these will bring, it falls far short of what the region actually needs. A clean environment is essential to the region's

The lucky ones will find that their local beach or stream is cleaner than before, and many people will be connected to better sewers and have cleaner drinking water.

image, and will help to assist its future prosperity."

Part of the problem seems to be that there are two regulators involved with clashing priorities. The EA must ensure that the UK is legally compliant with EU environmental legislation, while until recently the economic regulator, Ofwat, has had no obligation to take environmental concerns into

account and has acted accordingly.

At the water industry's representative body, Water UK, economic regulation adviser Robert Weedon says that it's far from a satisfactory state of affairs, explaining somewhat ruefully that "there's always been a difficult tension between the Environment Agency and Ofwat regarding the environment programme. There's two parts to it – the parts that have to be done and the discretionary stuff. Only this second part should be subject to cost benefit considerations. But Ofwat regards the whole thing as subject to cost benefit. The water companies are caught in between the two of them. Our position is that the regulators should coordinate themselves a bit better."

Whether they do or don't, in the future, Ofwat will come under more pressure to take note of overarching EU legislation such as the Water Framework Directive, which has targets that must be achieved by 2015. Walter Menzies at the Mersey Basin Campaign points out that Ofwat has been given a formal duty to take sustainable development into consideration: "That is a good thing. It will help us to advance the arguments."

What we know for certain is that over the next five years we will be paying higher water bills, but we'll also have better services and a cleaner environment. What we won't have is a return to a perfectly pristine environment or an end to the need for more investment. That's an expectation that is certainly unrealistic. So long as the ravages

of the industrial revolution mean that the Northwest's environment still needs repairing, difficult questions like how much it will cost, who will pay for it and what the money should be spent on, will never be far away. **S**

Case study 2 – AMP 3 sewage upgrade complete Small changes, big difference

Rivers in Cumbria are suddenly bursting with life as freshwater shrimps, crayfish, breeding salmon and birds at the top of the riverine food-chain flourish in the newly clean waters of the Eden Valley.

It's all the result of a £5 million scheme to replace outdated sewerage systems in seven of Cumbria's most beautiful villages, part of United Utilities' investment programme for the five year period between 2000-2005.

Old septic tanks that served Calthwaite, Edenhall, Little Salkeld, Blencarn, Sandford, Murton and Kaber used to discharge untreated sewage into nearby streams. All have been replaced by small processing plants that treat water to a high standard before the effluent is allowed to discharge into the local water environment.

At Edenhall, where pollution was most serious, a reed bed filtration system has also been created to clean storm water discharges that pass through the plant.

Most of the new treatment works have been built below ground. Only the control buildings are visible, and these have been faced with stone to lessen their visual impact. Martin Hutchinson, chairman of Kaber parish council says that local people are pleased. "We are a very traditional village and would not have liked anything intrusive. But it has been discreetly sited, in the best place it could be, and will soon have blended in."

Case study 3 – AMP4 investigation before funding is agreed Clean-up of Ship Canal hangs in the balance

The most contentious of all the environmental proposals not to be approved by Ofwat as part of United Utilities' 2004-2005 Asset Management Plan is the storm sewage overflow at Davyhulme in Greater Manchester.

With heavy rain causing sewers to flood and enormous volumes of contaminated water to be discharged directly into the Manchester Ship Canal, the Environment Agency says that the Northwest – and thus the UK – will fail to meet its legal obligations under the EU's Freshwater Fish Directive and

the Urban Wastewater Directive.

The solution proposed by the EA was to build an enormous holding tank to contain storm overflows until the local sewage works could treat them for safe discharge. But the tank would have to measure a vast 58m x 58m x 58 metres, and the estimated cost of construction was £100 million.

Ofwat balked at allowing this in UU's capital investment programme – to pay for it, water charges would have had to increase further. The decision not to fund the works has been fiercely contested by the EA, and the Davyhulme

project is now the subject of an investigation into whether a lower-cost solution can be found – and which can offer equal environmental benefits to the canal's water quality and the aquatic life that depends on it.

Ofwat therefore refused to fund investment in these works through price increases to customers, and United Utilities will not be able to carry them out.

The EA says this means the Northwest will not comply with a number of EU directives on water quality and will thus be in breach of its legal obligations.

Because of this, the EA has just begun to use its powers to reissue discharge consents for a number of sites with water quality requirements that United Utilities cannot comply with.

These licenses are being appealed, and once the result of the appeals are published – which may take several years – Ofwat may have to reconsider funding particular projects.

MORE INFORMATION:
www.unitedutilities.com
www.environment-agency.gov.uk
www.ofwat.gov.uk

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