

**OVERALL STRATEGY FOR 2005-2010 PERIOD AND TOP 5 STRATEGIC OBJECTIVES**

United Utilities' overall strategy for the period 2005 to 2010 and beyond reflects our customers' needs and the desire of the public, government, and regulators to see a water industry characterised by sustainable, efficient and securely financed companies. It builds on the successes of the water industry in England and Wales since privatisation, reflected in the government's view that "the water industry has been successfully run and is firmly established in the private sector".

Our plan is based upon: ensuring adequate levels of investment to maintain the assets that underpin our existing activities; priority for those improvements in service that command significant customer support, particularly the reduction of sewer flooding and odour problems at wastewater treatment works; and an assessment of the improvements in drinking water and environmental quality that we think it likely we will be required to deliver in the period 2005 to 2010.

**Over the five years from 2005/6 United Utilities' key strategic objectives will be to:**

- a) continue to deliver a value for money package of services to our customers, retaining the current high level of customer satisfaction;
- b) maintain, and in some cases improve, the current performance of our assets at an acceptable level of risk, to deliver existing service levels;
- c) maintain the supply demand balance and security of supply to all our customers;
- d) deliver the enhancements to environmental and drinking water quality required of us by Government and regulators;
- e) continue to make significant inroads into the problem of sewer flooding at customer premises, and begin a programme of work to tackle the most serious instances of external flooding;
- f) address the problem of odour at wastewater treatment works where this has given rise to the most significant customer and community concern;
- g) continue to deliver innovation and efficiency in our operations;
- h) ensure that we maintain investor confidence by delivering acceptable returns to investors through an efficient and sustainable capital structure.

**PRICE LIMITS AND EFFECTS ON AVERAGE BILLS (2002-03 PRICES)**

		2005-06	2006-07	2007-08	2008-09	2009-10
<b>Proposed price limit</b>	<b>%</b>	11.90	11.90	12.00	12.10	12.30
<b>W Price limit (water service)</b>	<b>%</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>	<b>7.5</b>
1	Average measured household bill	£ 113.31	£ 120.72	£ 128.58	£ 135.85	£ 143.76
2	Average unmeasured household bill	£ 136.13	£ 148.78	£ 162.67	£ 177.31	£ 193.61
3	Average household bill	£ 127.88	£ 137.12	£ 146.87	£ 156.43	£ 166.68
<b>S Price limit (sewerage service)</b>	<b>%</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>	<b>15.5</b>
1	Average measured household bill	£ 127.84	£ 146.67	£ 166.31	£ 188.14	£ 213.38
2	Average unmeasured household bill	£ 152.70	£ 182.19	£ 214.04	£ 251.38	£ 295.53
3	Average household bill	£ 142.52	£ 166.05	£ 190.34	£ 217.68	£ 248.96

**TOP 5 QUALITY AND SERVICE IMPROVEMENTS IN 2005-2010 PERIOD**

1. To improve the quality of drinking water we supply to our customers we propose to renew or clean around 5,000km of water distribution mains. We also plan major cleaning work on 240km of our large trunk mains.
2. The long-term standard for the maximum amount of lead in drinking water is to be achieved by 2013. We propose to move towards that standard by removing some 300,000 lead communication pipes from our water system by 2010 (with another 140,000 by 2013).
3. We will tackle problems of sewer flooding in people's homes as they arise. We expect this to require us to address incidents at 900 properties. We will also begin a programme of work to tackle the most serious cases of external flooding, addressing problems affecting around 140 locations.
4. We propose to address the problem of odour from wastewater treatment works where this has given rise to the most significant customer and community concern. Our programme will be delivered in the first two years of the next price review period.
5. We expect to have to carry out work at 87 of our wastewater treatment works and at over 300 sewer overflows to help improve the quality of the water environment in the north west. These works treat the wastewater from the equivalent of 1.8 million people.

**WHAT IS DRIVING THE CHANGES IN BILLS? (2002-03 PRICES)**

Average household bill in 2004-2005		£	243
<b>Less</b>	(1) Past and future efficiency savings	£	-17
<b>Plus</b>	(2) Higher bad debt, pension costs and tax changes	£	29
	(3) drinking water quality improvements	£	33
	(4) environmental improvements	£	106
	(5) service performance	£	14
	(6) security of supply	£	7
	Average household bill in 2009-2010 (W3 + S3)		£

**ESTIMATE OF EXPENDITURE NEEDS (2002-03 PRICES)**

		Annual average for the 2005-2010 period (£/property/annum)
1	Total operating expenditure	130.96
2	Total capital maintenance expenditure	82.27
3	Total capital enhancement expenditure	171.37

For further information go to [www.unitedutilities.com/pricereview](http://www.unitedutilities.com/pricereview) or contact: Price Review Views, United Utilities, Dawson House, Great Sankey, Warrington, WA5 3LW

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