



PR14 investor conference call on material totex differences

6 August 2014

Operator: Good day and welcome to the PR14 Update Conference Call. Today's conference is being recorded. At this time I would like to turn the conference over to Sonia Brown. Please go ahead.

Sonia Brown: Thank you very much. Good morning everybody. We're really pleased that you have all been able to join us at such short notice this morning and apologies if we've dragged anybody away from holiday. I'm joined today by Graham Taylor and Andrew Walker, who is our Director of Wholesale Price Controls.

Throughout this process we've tried to give companies every opportunity to succeed: to deliver the best possible outcome for their customers. When it became apparent that the December business plans had fallen short of our expectations on risk and reward, we modified our process to give companies with otherwise strong plans another opportunity to receive an enhanced determination. When it appeared that a handful of companies would require only limited interventions we allowed them the opportunity to resubmit for an early determination in May. Today's announcement is in the same spirit. By the end of August we will have issued draft determinations for 29 wholesale price controls. In the context of today's announcement this importantly includes a separate price control for Thames Tideway Tunnel for Thames Water. For just three of these price controls our current assessment of the revised business plans suggests that a very material gap will remain between the expenditure sought by companies and the level of costs that we consider are currently justified.

Although there will not be time to take new information into account for the draft determinations data this month we are sharing our findings on these very material gaps now so that the effective companies have more time to reconsider their plans and their evidence by 3 October which is the deadline for representations for all draft determinations that we will issue in August. The effective price controls are for Bristol Water's wholesale water service; the waste water control at United Utilities; and the separate price control for Thames' share of Thames Tideway Tunnel costs. For each of

these the gap between our assessment and theirs is well above 20%. While there will be gaps at some other companies there is clear water between these three price controls and the other 26 price controls across the sector.

It is important to note that this is based on an early assessment of where our draft determinations will come out and it is therefore possible that there will be further refinement of our modelling by the time that we publish our draft determinations, however given the materiality we think it is appropriate to let you and companies know. We hope that companies will use this opportunity.

The focus for United Utilities [UU] and Bristol is in three areas. Firstly on the total amount of totex that they are putting forward for these price controls – really examining hard the efficiency of this, then putting forward any well-considered claims for adjustment to the sector-wide models on the basis of totex, and finally providing very strong evidence of the cost efficiency through full independent third party assurance. It is a very important that this assurance considers fully both the scope of any proposed solution as well as testing the costs to upper quartile efficiency which is the new benchmark for efficiency in the water and wastewater sectors. For Thames Tideway Tunnel the issues are different which I will highlight shortly.

I will now give some colour on the individual controls, starting with the UU wastewater control as I understand that this will be of most immediate interest to many of you. In United Utilities wastewater control a gap of £769 million or 29% remains. This is a significant improvement from the £1.1 billion or 46% that was highlighted in the risk-based review. The company has reduced its totex plans by £152 million since December while we expect to make an allowance of £117 million for environmental quality expenditure that had not been included in our risk-based review threshold, as well as £39 million for ongoing work at the Davyhulme treatment works. However, these adjustments were lower than those proposed by the company either because we have determined that our models implicitly allow for a proportion of the costs; or because of the company providing insufficient evidence on additional costs both in terms of the scope of the expenditure and in terms of its efficiency. The largest claim that the company put forward that we have not allowed for at this stage is phase 5 of the National Environmental Programme [NEP] which you will recall was an issue for five of the WaSCs [water and sewerage companies] at the time of the risk-based review.

The phosphorous removal schemes that United Utilities put forward have performed poorly in cross-industry comparisons and appear to be less efficient than the industry average. The company's storage schemes also appear more costly than similar

schemes from a small number of companies that have proposed them. It is particularly important that in such areas the company can provide more evidence to justify these proposed expenditures. The company was also the only WaSC to put forward a substantial transition programme for AMP7.

Moving on to Bristol Water, at Bristol for its wholesale price control the gap is £203 million or 57% based on the company's revised business plan. This reduced only modestly from the risk-based review where the gap was 63%. One area of difference that remains is the Cheddar Two reservoir which we highlighted at the risk-based review and which the company states will cost £44 million in this AMP and in total £120 million to construct. The need case for this project is based on the future demand for a proposed power plant which has been supported by some correspondence. In our view the potential non-domestic demand is insufficient evidence of need. If we were to accept the need case, the company would still need to show that the proposed solution is part of the best value plan to meet the emerging deficit arising from this and domestic demand. While the company has provided evidence that customers value the improved resilience that would be delivered by the scheme, this seems to contradict customers' wide preferences for no increase in bills. The company has not sufficiently explained this apparent inconsistency. Finally the company has not provided evidence to show that the cost estimates are robust or upper quartile efficient.

On the evidence supplied we have also been unable to accept Bristol's substantial claim for capital maintenance costs. Briefly, the company argued that the efficient level of maintenance should be around £197 million in AMP6 and estimate that Ofwat modelling allowance is £116 million. On this basis they make a special factor claim for £81 million. The £197 million is based on taking an overview of the replacement cost analysis if projected AMP5 spend and Competition Commission allowances for AMP5 and alternative econometric modelling. We have considered all of these and been unable to accept these arguments on need or on the robustness of cost.

Moving on to Thames Tideway, in response to the feedback in the risk-based review Thames Water has indicated that it would be willing to modify its licence to support a separate price limit for its share of Thames Tideway Tunnel costs given the special characteristics of this project. They have based their business plan proposal on an associated split of expenditure. As a result we have assessed these costs separately from Thames Water's wastewater control. Their assessment of costs is just over double ours, a gap of £331 million. Thames have requested £110 million for additional activities that it would need to undertake if the appointment of the infrastructure provider was delayed and we are unclear as to why this would be included in a central cost estimate.

It also would not commit to what activities it would carry out in the event of such a delay. Thames has also included £135 million for risk in its cost assessment. This is a function of the way in which Thames has forecast these costs by assessing the best case outcome and then making an adjustment to the expected P50 costs. Thames' allocation of risk into AMP6 is based on a total risk assessment for the project without reference to the activities it will carry out in the period or to any uncertainty mechanisms that might sit around the Thames Tideway Tunnel control. We have therefore excluded most of this adjustment.

In conclusion, the very material gaps that we're highlighting today relate to just three of the 29 wholesale price controls and we believe that these too can be further reduced if the affected companies use the extra time that we've provided to look hard at the scope of their plans, the cost and the evidence that they've supplied to us.

I'm happy now to take a few questions. You will appreciate that we're at a very sensitive stage in this process and we will not be able to comment on other elements of these companies' business plans, nor on the read-across to other companies. Thank you very much.

Operator: Thank you. If you would like to ask a question at this time please press the star or asterisk key followed by the digit 1 on your telephone. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you find that your question has already been answered you may remove yourself from the queue by pressing *2. Again please press *1 to ask a question. We will pause for just a moment to allow everyone to signal.

We have our first question which comes from Jamie Tunncliffe from Redburn. Please go ahead.

Jamie Tunncliffe: Yes, good morning. A couple of questions. Just focusing in on United Utilities, when I look at your table 4, I'm trying to use that as a way to understand as much as I can – and I know this is big simplification – how much of the difference is a reduction in scope versus, say, just tougher efficiency assumptions? As a starting point there, is it fair to say that where you've indicated in your column that there's no 'need' for the claims, that sort of indicates – which I think is the case in terms of the treatment works and reinforcement spend – that that's essentially scope being taken out of the plan, something like 290-odd million of the difference. Then if we draw down into the biggest items in that list, the NEP5 for water framework and the NEP3 and 4 for bathing water discharge projects, can you just help me to understand if you're applying that sort

of lens of scope versus efficiency, how I would try and put a dividing line on those two big items and the amounts?

Sonia Brown: Ok, thanks ever so much Jamie. I'm going to ask Andrew to answer those questions.

Andrew Walker: Hello Jamie, thanks for those questions. I think on the first one it's probably a little bit of an oversimplification to say that if we have a fail on need then the focus is just on scope. So for example the trunk mains network reinforcement that I think you mentioned, we had wider concerns about UU's analysis that supported that claim and we were also concerned about things like the treatment of customer contributions associated with the claim.

Jamie Tunncliffe: Sorry, I'm less worried about that one because it's a pretty small number.

Andrew Walker: But some of the others, I think you're right to say that when we raise a question on need then we have got concerns about scope, so in relation to things like the Davyhulme wastewater treatment works – which as you'll have seen from our numbers is a chunky item – we have got concerns there in relation to the scope of the overall programme. That's not to say that investment isn't required at that treatment works – we think it is, but we've got concerns about whether that really needs to be £162 million. Moving on to the second part of your question which I think was around things like NEP5 and where we've raised issues in relation to that particular scheme, how to draw a line between scope and efficiency. Well, I think at this stage in the process we're not quite in a position to draw a very clear line between those two matters and this is about...this is why it's important that companies respond carefully and constructively to this analysis and help illuminate these issues more clearly in their own business plan responses. So there are elements of our challenge on UU's NEP5 programme that do relate to scope, so we've got concerns about elements of transition expenditure in there which don't appear in other companies' plans, but we've also got some concerns about unit cost and when you add those together, when you add those concerns together we don't yet feel in a position that we can safely make an allowance for NEP5 but I think it would be a big premature to start slicing the cake up in a very precise way between need and efficiency.

Jamie Tunncliffe: Ok, thank you. Can I just ask one supplementary? If I look at your table and it shows and I add up what was sought on that table for versus what you

allowed, the difference is £808 million and then the figure you talk about of £769, should those numbers be the same or is there an obvious...?

Andrew Walker: No they shouldn't and we should have probably included a footnote on the table explaining this, so let me apologise for that. The £769 million is the overall gap between our modelling and UU's business plan totex. When you start adding up table 4, what you get is the amount of their W11 special cost factor claims, the amount of our implicit allowance we estimate from those claims, and the amount allowed which is sort of different because it's sort of a building block approach and the amount of W11 claims don't necessarily add back precisely to the gap between our modelling and the totex. So these numbers do not reconcile with the overall gap in a precise way.

Jamie Tunnicliffe: Ok, thank you.

Operator: Our next question comes from Guy Mackenzie of Credit Suisse. Please go ahead.

Guy MacKenzie: Good morning, two questions. The first maybe relates a little bit to the last one but you talked about needing to see more evidence. UU seems to have put forward quite a bit of evidence in their revised plan in June. I just want to be clear on whether it's a question of you disagree with the arguments and the evidence they've put forward or rather you just need to see a bit more detail because you mention two sources of discrepancy, one being insufficient evidence and the other being your models are already taking that spend into account. Again I'm guessing you might have already answered this but are you able to give any kind of a split on how much it's just a question of insufficient evidence and how much of it your models are already accounting for? Then the second question, you mentioned in your scorecard assessment back in April that you'd seen insufficient evidence that you delivered I think over 21% of defined outputs in water and over 28% of defined outputs in waste water. I wasn't clear whether there was a connection with the totex gap, whether some of these costs, reflected spend had already been accounted for in AMP5 but are you able to say whether this is still a concern or anything on potential scope for shortfalls here?

Sonia Brown: Thanks every so much Guy. I will answer the first part and then I'll ask Andrew to build on any specifics associated with this. I think that the answer to your second question is that I'm really sorry but today we are focusing very hard on just wholesale and costs for UU. I can't give you any other information about the rest of their controls because obviously we've got other companies that may well also be in the position of having elements of their planned shortfall and so we need to wait until

29 August in order to reveal that picture to you all. On the first question that you said, absolutely, UU have given us more evidence. They have engaged really constructively with the challenges that we put out at the risk-based review, but of course we are not at the point of saying that we are finding the evidence that they've put forward completely convincing because otherwise we would be making some of these allowances. Just to give you an example as to some of the differences, UU have given us an assessment of their efficiency across their waste water business but what they haven't done is given us some of the efficiency analysis association with individual projects and schemes. Because these things sit outside of our wholesale cost modelling, we would need to be very sure of what the efficiency is of all expenditure that they're putting forward on these claims, so it's a question about the nature of the evidence and really what we're saying here is that the companies need to think again on scope in some areas and also how they're challenging themselves on efficiency in other areas. Andrew, is there anything you want to add to that?

Andrew Walker: Just one little point, it's both the quality of evidence provided by UU and in some areas the sort of detail that they provided. So it's both that are important so that, as Sonia has said, the specific assurance on individual elements of the programme is important where we're considering additions to the cost threshold.

Operator: Our next question comes from James Brand from Deutsche Bank. Please go ahead.

James Brand: A couple of questions. Firstly I was wondering whether you could quantify how much of United Utilities' spending is AMP7 transitional spending, if there's a broad number you could give for that? Secondly I was wondering what happens if we get to the end of this process and you still feel that there isn't enough evidence provided behind certain projects, so if you got to the end of this process and as you say some investment was required at Davyhulme but you didn't feel either that the cost evidence that United Utilities had provided was robust enough or you were not entirely sure that the project that they had proposed was the right one, how do you then respond? I presume you don't just get to the end of the period and then assign zero cost allowance? I presume that you would have to either accept their project and provide them with less or propose a different project altogether, but I was wondering whether you could give some context on how that would work when we get through to the final determination? Then thirdly, I guess qualitatively, you've touched upon some of the engagement that you had, but how much further do you think the company has to go in terms of convincing you? Is there a mountain to climb or is it just that they need to provide a little bit more evidence in some areas except you probably wouldn't want to

get pinned down to a precise quantification there, but if there's any kind of context that you could give in terms of how far they've gone and how much further they need to go to potentially reassure us that they're not banging their head against a brick wall, that would be helpful. Thanks.

Sonia Brown: Ok, thank you very much James. I'm going to ask Andrew to pick up the first part of that on the AMP7 transitional expenditure.

Andrew Walker: Thanks James. Transitional expenditures can mean different things to different projects so I will give a little bit of a technical answer to that. There is part of UU's business plan in relation to NEP5 that we have concerns about – which they describe as their transition to AMP7 – which is around £40 million. This is different from the transition expenditure which has been previously discussed in the PR14 project which has been about transitioning between AMP5 and AMP6. So there's a £40 million question mark in relation to their NEP5 in what's called transition for AMP7 expenditure, but that is different to some of the earlier discussion we've had around transition expenditure for the stuff between AMP5 and AMP6.

Sonia Brown: James, just picking up your next question, I think that at the moment we're in a position where on Davyhulme – I'm beginning to get to know wastewater treatment works in a lot more detail than I ever thought I would! – on this particular wastewater treatment works I think that what we are doing is making an allowance which is based upon expenditure from AMP5 and carrying that forward. I think you can see that the company has put forward quite a different scale of solution here, and at the moment what we're saying is we're not convinced at all by that scale of solution for the problem that has been identified. I'm not sure that I can predict the outcome at the end of the process, but at minimum there will be some expenditure that will be allowed there as I set out earlier. It's also possible that the company could come back with really compelling evidence associated with this, but so far we're not persuaded.

Then on the final point, I really hope that the company doesn't feel that they're banging their head against any form of brick wall. I think that we are engaging really constructively with them associated with this. Giving them early announcement today is all in the spirit of trying to help them to move this forward for their customers. But I think that we should be realistic: there is a very big challenge here that the company needs to meet. We're really, really looking forward to working with them as they work their way through that challenge, but it is for the company to meet that challenge, not the regulator.

James Brand: Thank you.

Operator: As a reminder to ask a question at this time please press *1 on your telephone keypad. We will take our next question from Dominic Nash of Macquarie. Please go ahead.

Dominic Nash: Good morning, a couple of questions please. Firstly, when United Utilities resubmitted their business plan, they talked about excluding separately a number of items to be taken out of your baseline analysis. If you could give us some details as to whether or not that has from your response this morning that has kind of been rejected. Secondly on process, are the numbers that we see today on United Utilities those that you're going to publish in the draft determination on the 29 [August] regarding this particular sort of cost analysis and therefore there shouldn't be any sort of further surprises between now and the draft determination in this area? Thirdly coming back to the binary outturns, it does look like where there has been a need has been passed and assessment has been failed on costs, you've given a zero for quite a number of the projects. Does this mean that this £769 million shortfall is really like a worst case scenario because following on from James' question, it can't get any lower but it could get higher. Thank you.

Sonia Brown: Ok, thanks ever so much Dominic. I think what we've got here today is United Utilities put forward in their plan a combination of all of the claims – what are called S11 claims – which is obviously what we've put out today in relation to their wastewater costs. They also put forward some uncertainty mechanisms, and again I'm really sorry but I can't talk about the status of those today given the sensitivities with regards to other companies. What might change between now and 29 August for their wastewater costs? We are doing our final QAs across the whole of the companies. It's possible we could see some modest variation but, I wouldn't be expecting any material changes in these positions ahead of the 29 August. Then the final question that you're putting forward, I think it would be the case that on behalf of customers, including the environment, it's very likely that by the time that you work your way through some of these processes we will have to make an allowance for things like NEP5 by the point that we get to final determination – and so that gap will close. The big question, as I've said already, is about the scope of what's needed and the efficiency of the costs that United Utilities is putting forward in those areas.

Dominic Nash: Great, thank you.

Operator: Our next question comes from Edmund Reid of Lazarus. Please go ahead.

Edmund Reid: Good morning guys, two questions. The first one is you talk about on cost assessment UU being about 9% above industry average. When you are thinking about where they need to resubmit, would you assume that industry average would be about the right number? So are we talking about a 10% difference also? Then secondly on customer bills, I just wanted to understand what the sort of difference between UU's totex allowance or assessment and yours means for customer bills?

Sonia Brown: Ok. I'm going to ask Andrew to pick up your first point, Ed, on the industry average. Thank you.

Andrew Walker: Thanks Ed. I think we quote in our more detailed document on the UU cost assessments that UU themselves have had a report commissioned by Franklin + Andrews and when that report was done it seems to show that sewerage costs were 8% or 9% above average. UU themselves have then applied an efficiency challenge to get themselves down to sort of average costs, but as Sonia said in the introduction our benchmark for companies is upper quartile efficiency and our present estimate of that is about 10.5% below average costs. So you will see in the detail of what we've published where we do apply an upper quartile adjustment to reduce average costs to upper quartile levels. that's a reduction of about 10.5%.

Sonia Brown: Then Ed on your second point on customer bills, I'm afraid again that I need to give the rather boring answer that we're not going to comment today on what this means for bills. There will be more of that on 29th August.

Edmund Reid: Ok, great. Thank you very much.

Operator: We will take our next question from Andrew Mead of Goldman Sachs. Please go ahead.

Andrew Mead: Yes, hello. I had two questions, the gap of £808 versus £769, just to understand the difference in the two approaches, is that effectively that there are other areas where UU does have for example better efficiency than costs elsewhere in the business and not in those special factor areas? I'm just trying to understand why there's that difference. The second question was you say clear water between these three and the other water, how confident are you that some of the other companies can't claim that you're giving an unfair advantage to these three companies and giving them additional time?

Sonia Brown: Ok. I will ask Andrew to pick up the first point.

Andrew Walker: I need to apologise again for not making this clear from our documentation but let me have another go. The £769 million is the difference at an aggregate level between our modelled allowances and UU's business plan totex numbers, so that's when you take all our modelled allowances and those deep dive assessments that we've made and allowed for, the difference between us and the plan is at an aggregate level £769 million. The £808 million comes from adding up the individual components of table 4 which relate to UU's special cost factor claims, so some companies special cost factor claims are smaller than the gaps and are bigger than the gaps. They don't necessarily have to precisely relate to the gap that we've identified in our modelling.

Sonia Brown: Then I think that on your second point Andrew, sorry about the pun around clear water but we do think that there is a very material difference between the companies where we've explained what the situation is today versus all of the other companies' price controls across the sector. We're not going to be giving out more detail on the nature of that gap or range today but I can say that there is a very material difference and the fact that that difference exists is exactly the reason as to why we can give the indication to these three companies around these three specific price controls ahead of everybody else.

Andrew Mead: Ok, thank you.

Operator: Our next question comes from Maurice Choy of RBC. Please go ahead.

Maurice Choy: Hi, good morning. I've just got three questions. The first question just going back to I guess the cost difference, noticing that F&A has been your preferred third party cost assessor. I'm just wondering whether or not you've employed other cost assessors and if you have, what are the comments from those assessors and whether or not the gap is any bigger or smaller? That's the first question. The second question, sorry to pick up on this again, you've got three companies today with more than 20% of a difference between Ofwat and I guess the business plans. Are we then saying that everyone else is below 20% of a gap? Then the third question is again on Davyhulme, this is probably the only one that has a failed need, pretty much a partial cost fail or acceptance but there is an allowance of 39.3 million whereas everything else, if you have a failed need and a failed cost you get nothing. So I just want to understand how this is different from all the other ones? Thank you.

Sonia Brown: Ok, thanks ever so much Maurice. So on the first one we definitely don't have a preferred provider of cost assessment. It's up to the companies to choose

who they want to be using to give them third party assurance associated with these and indeed even if they think that the costs are material enough to be using any third party assurance. Obviously for these companies we're looking at very material numbers, but it's up to the companies to formulate their own assurance process as part of PR14. On the second question I'm not going to be drawn further on the difference between the other companies and these three. I repeat the message that there is a very clear and material gap and I think it is worth saying UU, although we're saying 20% you'll know that UU is much higher than that number in and of itself; and then on the third one I've obviously failed to explain the situation on Davyhulme so I'm going to pass over to Andrew and see whether he can try better.

Andrew Walker: Ok. Davyhulme is a little bit of a special case. If you recall the analysis we did at the risk-based review, you will note from that analysis that we respected what was said in the price review 2009 about overlap schemes, so where there is an overlap scheme identified – that's a scheme that was to commence in AMP5 and finish in AMP6 and was specifically identified in the PR09 price control – then we made cost allowances consistent with the commitments that were made in 2009. It so happens that in part that applies to Davyhulme and the quality element of that programme that was identified in 2009 as an overlap scheme, so we've respected that allowance in this price review. So it does make it a rather special case in that respect.

Operator: Once again as a reminder to ask a question press *1 on your telephone keypad. We will take our next question, a follow-up question from Jamie Tunnicliffe of Redburn. Please go ahead.

Jamie Tunnicliffe: Hello again. Just more context really, UU does stand out in your assessment as having a big drop in AMP6 versus AMP5 against many of the other companies and I think that may be about NEP spend and assumptions about whether it tailed off, but can you just try and provide context just to explain that as clearly as possible in terms of the background on that please?

Sonia Brown: I think I will pass across to Andrew in order to try and do that. Can we just be really clear that we're obviously just talking about UU's waste water business here, but Andrew, do you want to pick this up?

Andrew Walker: Yes, a couple of comments I think in response to that. UU does have a relatively large NEP5 programme, and in addition to that is arguing that it faces special circumstances and additional obligations in respect of NEP3 and NEP4, so in total it has a relatively large environmental programme that we feel we need further

assurance on. But the other aspect of UU's sewerage business plan that is is that it is making a number of claims about the normal run-of-the-mill activities on what might be regarded as the normal running of the business: so it's got a large base totex claim of 145 million; its claims around rebuilding Davyhulme waste water and the Oldham and Royton waste water treatment works are about whole life costing in general rather than specific new environmental obligations. So there's a balance, really. There is a big gap with UU, a big chunk of that gap relates to new environmental obligations but also a big chunk relates to what UU are saying about the more day to day aspects of its waste water business and why it's special.

Operator: We have one more question in the queue. It's a follow-up question from Maurice Choy of RBC. Please go ahead.

Maurice Choy: Hi, just two follow-up questions. Davyhulme gets an overlap programme adjustment, does that mean that overlap programme does not apply to Oldham and Royton? That's the first question. The second question just more on the CCGs and their approval levels. Back in UU's press release when they submitted their revised plan, they've got an 86% approval rating. Are you comfortable as a result of lowering the scope if that approval comes down from 86%?

Sonia Brown: So on the first question, yes, you're absolutely right that Oldham and Royton aren't covered which is why there is no allowance made there. On your second question I think this is a really tricky area because customers are being asked for their acceptability with bill levels, and clearly at the time that customers are being asked those questions they don't actually have an understanding of what the relative efficiency is of the companies. I think that if you ask the customer would you like this bill level or would you like it 10% lower I have an expectation that a large number of people would say we prefer it to be 10% lower, so I think that we have to all be a little bit cautious around acceptability testing particularly when we've still got ongoing assessment of such material areas of costs.

In relation to scope, obviously all sorts of different customers are really important in considering the scope of any form of programme, including other regulators and particularly the Environment Agency. So we will be looking really hard and carefully to see how the companies re-engage both with their customer challenge groups and also with other regulators as part of their resubmission process.

Maurice Choy: Thank you.

Operator: As there are no further questions in the queue, that will conclude today's Q&A session. I would now like to turn the call back to the speaker for any additional or closing remarks.

Sonia Brown: Thank you all very much for your time and we look forward to talking to you again on 29 August. Thanks guys.

Operator: That will conclude today's conference. Thank you for your participation ladies and gentlemen, you may now disconnect.