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## ***Unite the Union response to Ofwat's Draft determination of Northumbrian Water's in-period outcome delivery incentives 2021-22***

As an organisation with over 134,000 members in the North East of England, Unite welcomes Ofwat's decision that £20.3m should be returned to customers of Northumbrian Water for the company's failure to meet performance commitments in the 2021-22 charging year. We are in the midst of the most acute cost of living crisis our country has faced in decades. Higher prices for vital public services create significant hardship for working people, many of whom are already struggling to make ends meet.

It has been reported that Northumbrian Water intends to respond to the consultation, presumably with the goal of pushing down the £20.3m fine.<sup>1</sup> We appreciate that Ofwat's CEO, David Black, recognised the need for stricter oversight when he said, "When it comes to delivering for their customers, too many water companies are falling short."<sup>2</sup> As such, it would be unfortunate if Ofwat granted Northumbrian Water any relief, which would only mean higher bills for workers and consumers.

Workers at Northumbrian Water, many of whom are Unite members, work hard every day to provide a quality service at an affordable price. After all, those workers are also residents of the communities that Northumbrian Water serves and share the same interests as other consumers. In light of Ofwat's ongoing enforcement case against the company<sup>3</sup>, we believe it would set a bad precedent if Northumbrian Water's appeals against the fine were successful.

Any regulatory intervention which means cheaper bills for workers and consumers – as long as it is paid for through reduced shareholder dividends, rather than squeezed employee wages – is a step in the right direction. In fact, £20.3m is the least that workers and consumers in the North East deserve. It represents only a tiny fraction of the £3.3bn Northumbrian Water has recorded in operating profit, or the £1.8bn the company has paid out to shareholders since the company was acquired by Hong Kong billionaire Li Ka-shing's CK Group.<sup>4</sup>

This intervention should serve as a step towards tighter regulatory oversight, and more exacting demands on water company performance – including the possibility of prosecution for company executives, as recently called for by the Environment Agency.<sup>5</sup> It should not be allowed to serve as a yet another example of successful lobbying by profiteering companies getting them off the hook – as it will if the bill is reduced in the final determination on 15 November.<sup>6</sup>

As such, we will be following the announcement of the final determination with great interest.

<sup>1</sup>Daniel McNeil, "Northumbrian Water among 11 water companies fined and will give customers money off their bills - full list," *Newcastle World*, October 4, 2022, <https://www.newcastleworld.com/news/northumbrian-water-among-11-water-companies-fined-and-will-give-customers-money-off-their-bills-full-list-3866780>.

<sup>2</sup>Ofwat press release, "PN 32/22 11 water companies to reduce bills by almost £150m because of missed targets," October 3, 2022, <https://www.ofwat.gov.uk/11-water-companies-to-reduce-bills-by-almost-150m-because-of-missed-targets/>

<sup>3</sup>Sandra Laville, "Ofwat raises serious concerns over five water firms' sewage treatment works," *The Guardian*, March 9, 2022 <https://www.theguardian.com/environment/2022/mar/09/ofwat-raises-serious-concerns-over-five-firms-sewage-treatment-works>.

<sup>4</sup>Calculations by the authors based on data obtained from FAME, <https://www.bvdinfo.com/en-gb/our-products/data/national/fame>, October 2, 2022.

<sup>5</sup>Rob Hakimian, "Environment Agency wants water bosses jailed for serious environmental crimes," *New Civil Engineer*, July 14, 2022, <https://www.newcivilengineer.com/latest/environment-agency-wants-water-bosses-jailed-for-serious-environmental-crimes-14-07-2022/>

<sup>6</sup>Ofwat, "Draft determination of Northumbrian Water's in-period outcome delivery incentives for 2021-22," October 2022 <https://www.ofwat.gov.uk/wp-content/uploads/2022/10/Draft-determination-of-Northumbrian-Water-in-period-outcome-delivery-incentives-202122.pdf> p. 1