

Renationalisation is needed to tackle water poverty

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This PSIRU Brief shows that water privatisation in England and Wales has led to a concerning increase in water poverty, and that economic regulator Ofwat is part of the problem. It argues that renationalisation is needed to tackle water poverty. An edited version of this PSIRU Brief has been published in Letters – General Election 2017, *The Guardian*, Monday 22 May 2017, p. 26 (<https://www.theguardian.com/environment/2017/may/21/privatisation-water-poverty-and-leaks>).

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The Public Services International Research Unit (PSIRU) investigates the impact of privatisation and liberalisation on public services, with a specific focus on water, energy, waste management, health and social care sectors. Other research topics include the function and structure of public services, the strategies of multinational companies and influence of international finance institutions on public services. PSIRU is based in the Business Faculty, University of Greenwich, London, UK. Researchers: Prof. Steve Thomas, Dr. Jane Lethbridge (Director), Dr. Emanuele Lobina, Prof. David Hall, Dr. Jeff Powell, Sandra Van Niekerk, Dr. Yuliya Yurchenko

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Nils Pratley ([Labour's water renationalisation plan is a damp squib](#), The Guardian, 17 May) argues that there is no need to renationalise water in England and Wales because regulation is enough to tame the monopolistic behaviour of the private operators. This argument is not convincing when you look at the experience with water privatisation since 1989. First, the private companies have prioritised paying dividends to shareholders over providing good quality and affordable water services to consumers. Overcharging – the result of price hikes and tactics that include gaming the regulatory system and [fraudulent behaviour](#) - has led to a concerning increase in water poverty. [In 2009/10, an estimated 23.6% of households in England and Wales were spending more than 3% of their income on water and sewerage \(11.5% were spending over 5% of their income\)](#). Second, the economic regulator Ofwat is part of the problem. For over 25 years it has presided over profit-seeking and increasing water poverty. As Ofwat has selectively defined its own remit to [exclude the protection of vulnerable consumers](#), there is no reason to expect that it would champion the water poor on a future government's say-so. As to the other arguments advanced by Pratley, PSIRU's research shows that there is [no evidence of superior private efficiency](#), either in the UK or internationally. Bringing water back into public hands (as Paris did in 2010, followed by a [rapidly growing number of cities](#) in developed and developing countries) allows for an ambitious social and environmental agenda that cannot happen under private management. What is needed in England and Wales is not tinkering with a privatised system that has failed to deliver on its promises but to radically change the priorities of water operators so that people come before profit. By abolishing the payment of dividends and lowering the cost of financing investment, nationalisation can do just that.