

The Unite the union response to the Environment, Food and Rural Affairs Committee Inquiry – Reforming the Water Sector.



1. Introduction

- 1.1. This submission is made by Unite, the UK's largest trade union with over one million members across all sectors of the economy, including manufacturing, financial services, transport, food, agriculture, construction, energy, utilities, information technology, service industries, health, local government and the not-for-profit sector. Unite also organises in the community, enabling those who are not in employment to be part of our union.
- 1.2. Of particular interest to this inquiry Unite represents almost 40,000 Energy and Utilities workers providing the electricity to fuel and providing the labour to cleanse water into drinking quality, labour maintaining the transportation network it to the customers and the transport of the waste to the treatment plants where yet more members maintain the treatment works.

2. Financial stability and corporate structures in the water sector;

- 2.1. As the committee will be aware when the water industry was privatised it had zero debt and ownership of tracts of land which were meant to be set aside for the construction of reservoirs to hold enough water for the future use of the populous. Since then, not one reservoir has been built in the UK despite the population growth. Unite believes that the water sector has been used as a cash cow built on ever growing debt. The National Audit Office reported that by the 2050s, the demand for water in England could exceed supply by between 1.1 and 3.1 billion litres per day, depending on climate change and population growth¹.
- 2.2. By analysis of the financial returns of the main water companies it appears that the debt mountain was at the end of the last financial returns submitted to Companies House a debt mountain which was we calculate amounts to £79.657 billion². This lists the debts of

¹ <https://www.nao.org.uk/reports/water-supply-and-demand-management/#:~:text=Conclusion-Background,climate%20change%20and%20population%20growth>.

² The following is taken from the 2024 returns.

Affinity Water	£1,366,802,000	Anglian Water Group	£10,340,700,000
Bristol Water plc.	£14,100,000	Cholderton and District Water Co. Ltd	£38,810
Dwr Cymru Cyfyngedig =Welsh Water	£5,411,000,000	<i>Essex and Suffolk Water</i>	<i>£1,208,000</i>
Hafren Dyfrdwy Cyfyngedig	£71,755,000	NI Water Clear	£27,863,000
<i>Northumbrian Water Limited</i>	<i>£5,639,300,000</i>	Portsmouth Water Limited	£219,761,000
Scottish Water	£4,704,000,000	Severn Trent Water	£7,793,400,000
South East Water	£1,348,416,000	South Staffordshire Water plc.	£402,546,000
South West Water	£3,395,300,000	Southern Water	£6,644,000,000
Sutton and East Surrey Water plc	£321,330,000	Thames Water	£16,817,100,000
United Utilities Water	£10,731,800,000	Wessex Water	£3,155,300,000
& Yorkshire Water Services	£5,941,200,000	GRAND TOTAL	£84,346,919,810

The accounts for Essex and Suffolk Water and Northumbrian water are in italics as they are both part of the Northumbrian Water Group which reports debts of £4,109,000,000 despite a higher sum being owed by the combined totals of the subsidiaries.

The financial 2024 returns for Albion Water Limited and Veolia Water UK have yet to be returned to Companies House which from previous years may add another £54 million to this total. **Please note** this **does not** include the additional £3 billion of financing that has been taken out by Thames Water recently.

Thames Water (which is by far the largest partly due to the size of the area it covers) £16.8 billion and does not include its £3 billion additional loan which was used in part to rescue the company pay dividends and bonuses (for which it was fined a relative pittance by Ofwat). It should be noted that this includes both private and public water industry debt.

- 2.3. Unite believes that one reason the debt and the industry has gotten into this state has been due to the ineffectiveness of the regulator Ofwat. Ofwat has the duty to in effect act as the champion for the consumer but repeatedly it has allowed itself to be brow beaten by the industry into being more lenient than it should be. The industry has been allowed to increase its charges to the customers even though in the opinion of Unite there is no justification given the industry always appear to find the money to keep their shareholders on side with large payments of dividends and senior staff rewarded while the rank and file are becoming highly mobile due to the availability of careers elsewhere.
- 2.4. On Sewage overflows Unite is in no way making excuses for the water companies when it highlights the number of new housing developments which have been built without any funding for any new infrastructure to provide energy, fresh water or waste treatment. The Water companies know that there is going to be the additional demand but to date no additional water reservoir has been built and many areas have not seen much in the way of additional sewage treatment facilities.
- 2.5. In England and Wales, there are 7,078 sewage treatment works, while Scotland and Northern Ireland have 10,814³, which is not a major increase in the pre-privatisation capacity. Equally the water industry under privatisation has yet to open a new reservoir leaving the country in times like the early part of 2025, with little rain with very little reserves to call upon. The resulting situation means that in times of storms the rain causes the sewers to overflow into rivers untreated and in times of drought, the ever-growing threat of hose pipe bans and the UK running out of fresh water supplies. With climate change making the potential for long dry periods followed by monsoon like downpours, the network is being asked to deal with capacity requests for which it was never designed.
- 2.6. Sewers were designed to have a gentle gradient flushed through with the type of storms found in the Victorian era. They were designed specifically to be accessible so that frequent rolling inspections would prevent blockages. Fat bergs are a recent development caused by the cutbacks in the number of inspections since privatisation and the growth of populations without the growth in capacity.
- 2.7. If a sewer network was set up today more industrial scale macerators would be employed to destroy solid masses before they built up and there would be a separate network to deal with storm rain waters, directing flows away from populated areas and onto land specifically designed to flood and delay the flow of rain into villages, towns and cities. Things like permeable pavements should be the norm allowing rainwater to flow into the ground water rather than bounce off and into the drain. With rainfall and the temperature rising more water will evaporate back into the sky which is why underground storage should be seriously examined. The added benefit of underground storage is that it eliminates the release of methane from rotting submerged vegetation that was previously covering the land.

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³ According to the most recent [water and treated water data published by the Department for International Trade](#)

- 2.8. Due to the methods of intensive farming in the modern era, the lands natural carbon and nutrient stocks are soon depleted, causing the use of fertilizers and other ways to enrich soils. A byproduct of the 72-hour long water treatment process is a build up of sewer sludge. This can be spread on fields, but the process releases high levels of methane and other unpleasant smells. Another use for the sludge is energy generation or pyrolysis where the sludge is transformed into green hydrogen and a fine black carbon powder. Whilst there are health implications if the carbon powder is inhaled, it is very good at enriching soils reducing the need for other nutrients. The black carbon can also be utilised into the creation of things as diverse as battery technology, carbon fibre, graphene nanotubes and industrial diamond production.
- 2.9. The water industry is one of if not the largest consumer of electricity in the UK, using it for everything from pumping stations to water treatment. Although it also produces a lot of its own energy it also squanders the opportunity to generate more from the use of sewer gasses and the methane released during waste water treatment. For the UK to become truly carbon neutral by 2050 every sewage treatment works pond will need to be covered and the resulting methane converted to hydrogen, capturing any released CO₂ and other greenhouses gasses in the process.
- 2.10. All of the above offer the potential for new sustainable employment opportunities, to help tackle not only the crisis with the excess waste but also our national shortages in energy production.
- 2.11. Access to fresh water is a must for every household but increasingly it is also being used industrially. Our demand for internet connectivity, streamed services and now Artificial Intelligence (AI) requires ever larger and more energy intense electrical generation and demands for fresh water for use in server cooling. For hydrogen production the use of steam methyl reformation to convert natural gas to what is called Grey or Blue Hydrogen⁴ uses 2.5 times as much fresh water as water electrolysis⁵ to create the same volume of the gas. As a consequence, the industrial demand for fresh water just in these areas is only set to increase although arguably the supplies need not have to be at drinkable quality, just free from debris and minerals which may impede production.
- 2.12. Greater use of grey water⁶ to flush toilets and hydrate gardens, (not used for food production) should be the norm and this could save gallons of water from every office, factory or home toilet flush. Additionally, the greater use of grey water would reduce the volume of water that would need to be treated at each treatment works, thus reducing the prevalence of raw sewage deposits into bodies of water. The additional benefit of grey water is the reduced need for the electrical supply to treat and pump drinkable quality water supplies to toilet cisterns and gardens. Unite suggests therefore that the Government should consider making the use of these systems as the norm in all new construction projects.
- 2.13. The statistics of pipe leakage and wastewater pipe collapses are bad on paper but they are even more devastating for residents who discover their homes deluged in a

⁴ Grey hydrogen is where any unconverted gasses and any resultant Carbon Dioxide (CO₂) is released into the atmosphere. Blue Hydrogen uses a carbon capturing medium to separate out the CO₂ for later storage or ideally mineralisation.

⁵ Generally known as Green Hydrogen, Yellow Hydrogen if a renewable source of electricity is used or Pink Hydrogen if the nuclear industry provides the power.

⁶ In essence grey water includes the runoff from sinks, showers, dish washers, washing machines and filtered rainwater

combination of water, mud and in the case of a waste pipe collapse often untreated waste. The process of drying out homes and attempting to replace treasured possessions is one that can take the several months and even years to complete, with homes never feeling the same again. Water companies will often however only replace the section of pipe that has failed rather than looking at replacement or lining of a larger than immediately needed section given the rest of the pipe in that area would be of equal age and also liable to collapse, more so as it will no longer be coping with a reduced flow caused by obstructions.

- 2.14. When it comes to the care needed to help vulnerable customers like the disabled and elderly the devastation can cause nightmares and become extremely troubling. After care for these impacted customers is often far from ideal resulting in the impacts and resentment spilling over and impacting workers who are simply attempting to rectify the situation as they are the public face of the organization. It is these workers who face the abuse and yet also may be the lowest paid in the corporate structure while faceless executives enjoy bonuses for another year of cost and frequently staffing reductions, on the front line where they are needed.
- 2.15. Workers can not just be exposed to the smell of waste water but also silent killers like Hydrogen Sulphide gas and the potential for a range of infections requiring them to endure a battery of injections. They work in cramped conditions at times attempting to remove blockages caused by wipes, flushes nappies, sanitary products, used condoms, discarded tights and underwear in addition to infestations of rats, mice, reptiles and the bodies of dead small animals and of course flushed pet fish. In addition, there is also congealed cooking oil and on occasion engine oil and other chemicals which have been dumped down domestic and industrial toilets. These are conditions caused not by the water industry but by often uneducated individuals who believe this is acceptable behaviour. In the days of high frequency inspections and monitoring, the majority of these issues could be dealt with before they created a major incident, but today that can be a different story.
- 2.16. Ofwat published its final determinations for Price Review 2024 (PR24) on 19 December, which sets company expenditure and customer bills for 2025-2030. This will according to Ofwat deliver substantial and enduring improvements for customers and the environment through a £104 billion upgrade for the water sector. Unite believes that the majority of this will go on servicing and increasing water industry debt and feels that Ofwat's actions with respect to the water companies has allowed the industry to take the UK government and consumers as cash cows to feed dividends and rewards to the rich few while the poorer majority are asked to pay more. Unite therefore asks how is this following Ofwat's prime duty to act as the guardian of UK consumers against a capitalist monopoly? How are they acting as the consumer champion against the excesses of the privatised water industry? Put simply Ofwat have been treating the water industry with kid gloves for years and now is the time that those gloves came off.
- 2.17. Unite believes that access to drinking water is a fundamental right and there needs to be the reserves so we do not run out. It's should not be the case that customers have to pay for the huge volume that is leaking from a very tired network. Equally there should be the investment to treat the waste water coming from homes and businesses but the additional funding for this should equally be part paid for by the developers of new properties that add to the pressures on the system rather than expect the water companies to provide the capacity especially when some developers have in the past mixed up the drainage and waste water connections.

- 2.18. Unite would never defend the appalling actions of the management of Thames Water but when compared to the number of customers, they are a long way from being the worst in the industry. What needs to be remembered is per property the debt mountain at Thames Water equated to £3,836 per property⁷ which is on a par with the publicly owned Dŵr Cymru (Welsh Water), while at Northumbrian Water Group Ltd⁸ owe £4,923 per property; at Wessex Water the total debt has reached £4,692 per property & at Anglian Water their debt mountain amounted to £4,518 per property at the end of the 2023/24 accounting period. Worst of the bunch is Southern Water where they owe £5,475 per property they serve. While Thames Water has been heavily fined for paying the equivalent of £45 per property in dividends in the 2023/24 accounting period, Northumbrian Water Group paid out dividends of £129 per property & Severn Trent £76 per property served without penalty. This highlights just how poorly OfWat has managed the industry and how it has failed to reign in the actions of the private sector to protect the bill paying consumers of this public service.

3. Conclusion

- 3.1. Unite is seriously concerned that the debt mountains of the water industry has now growing to a level which is clearly unsustainable and the unions believe that these companies are operating with impunity knowing that any fines will only increase the debt mountain that may ultimately have to be paid by the tax payer when the company collapses.
- 3.2. Unite feels that the regulator has been totally ineffective in its actions to keep the payments of dividends and executive pay in check and that the industry is relying on public amnesia of the situation that existed prior to privatisation. The water industry is currently blaming planning for the lack of any new reservoirs built, but it needs to be remembered that several were in the final stages of planning and land set aside for this purpose, when the industry was sold off – with zero debt. Despite the decades of private ownership there are still miles of lead piping in the system which leaks like a sieve.
- 3.3. Unite believes it is time to stop this situation growing any worse and time to take the industry in house while providing protections for UK pension scheme investors. Actions also need to be taken to seize the assets of the fat cat money men and senior executive teams who have milked this industry dry.

⁷ Prior to their acquisition of an additional £3 billion loan.

⁸ This incorporates Essex & Suffolk Water and Northumbrian Water Limited's combined areas.