John Kirk
Business Improvement Manager - Severn Trent Plc

Water Privatisation the UK Model

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Water Privatisation the UK Model

- Organisation of the UK Water Industry & the shape of regulation
- The financial drivers
- Benchmarking performance

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Organisation in the UK Water Industry & the shape of regulation

Shape of the UK Water Industry

- Overall framework of EU Directives
- EU Directives embodied in UK legislation
- Private sector companies responsible for operations, maintenance and delivery
- Heavy emphasis on public sector regulation

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The UK Water Industry

- Privatised in 1989 (primary legislation 1989 Water Act)
- Equity Model: Stock Market Floatation
- Funding
  - "Green Dowry"
  - Charges RPI+k (1989-2000)
  - Borrowing ("money markets")

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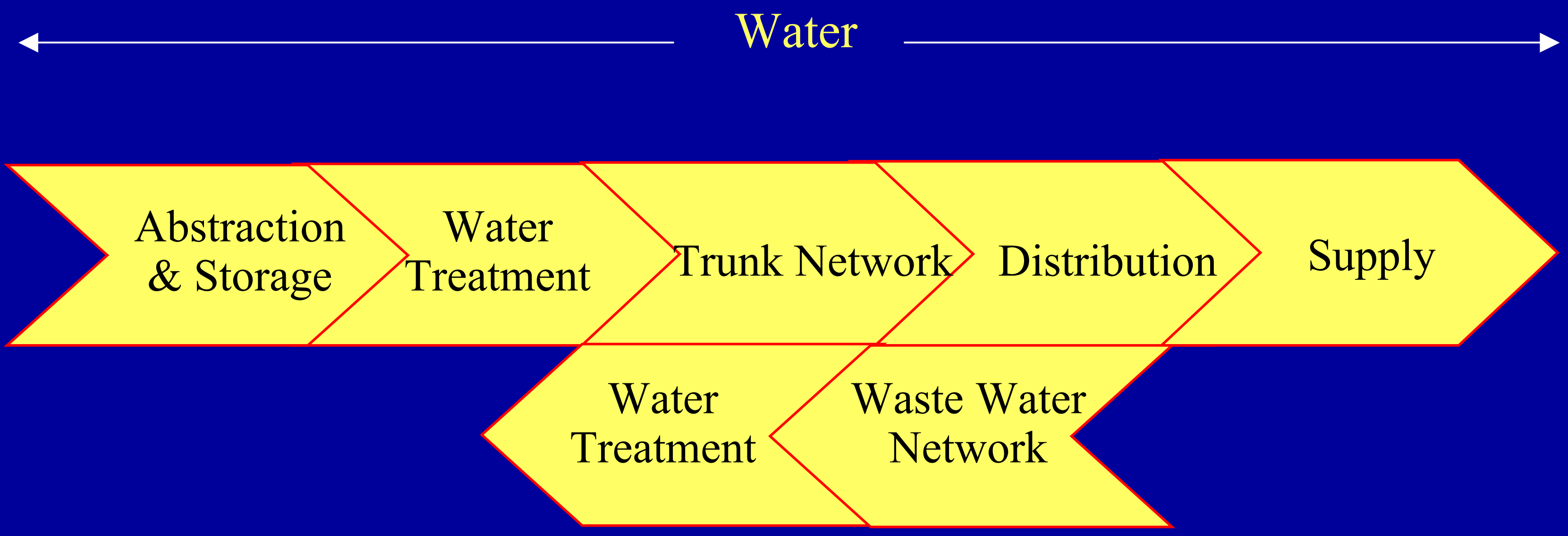
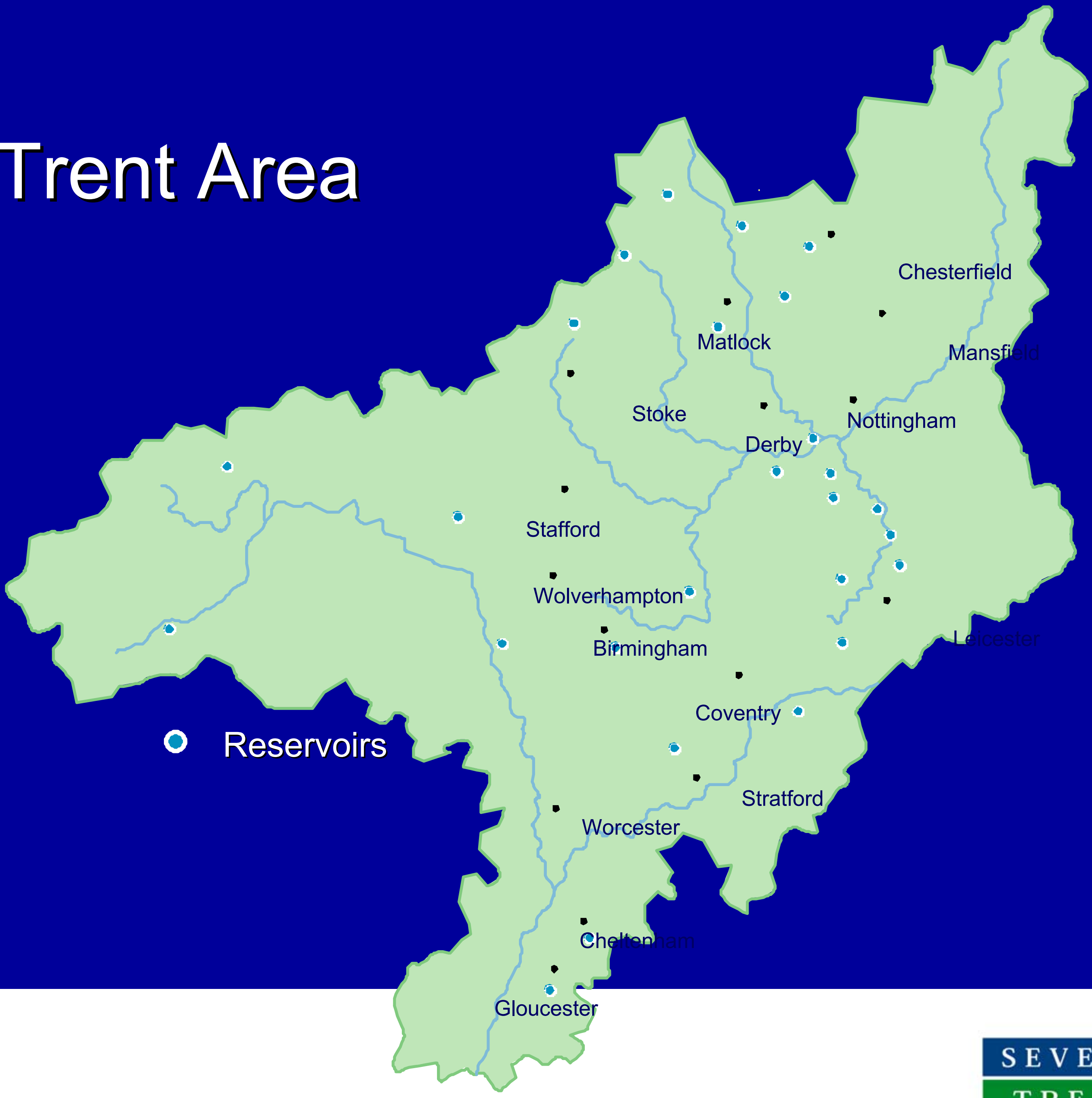
The UK Water Value Chain



Water companies in England and Wales

Severn Trent Area



Severn Trent Water

- 2000/01 sales £884m (USD$1255m)
- Water Services
  - 7.4m customers
  - 3.2m properties
  - delivering 1900 Ml/d (420m/g/d)
  - 43,000km water mains
- Sewage Services
  - treating 2700Ml/d (600m/g/d)
  - 8.3m customers
  - 3.5m properties
  - 53,000km Sewers

"our 96,000km of pipes will go twice round the world"

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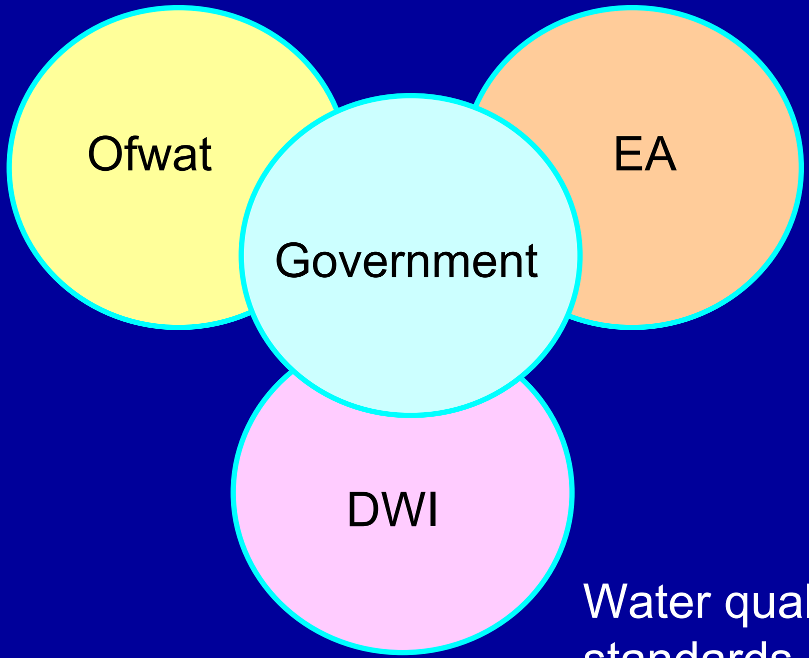
Public Sector Regulation in the UK

Regulation: All in public sector, responsible to UK Government

Customers and Prices



Env. Quality
- Abstraction licensing
- Sewage treatment discharges

Water quality standards.
- Monitoring and audit

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Public Vs Private

Government Regulation

- Abstraction
- Drinking water
- Sewage treatment
- Prices
- Customer service levels

Public Sector Opportunities

- Running plant
- Asset maintenance and renewal
- O & M of Plant
- Customer Services

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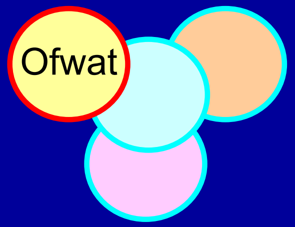
Office of Water Services

- promoting economy and efficiency
- competition
- limiting charges
- guaranteed standards scheme
- customer service committees



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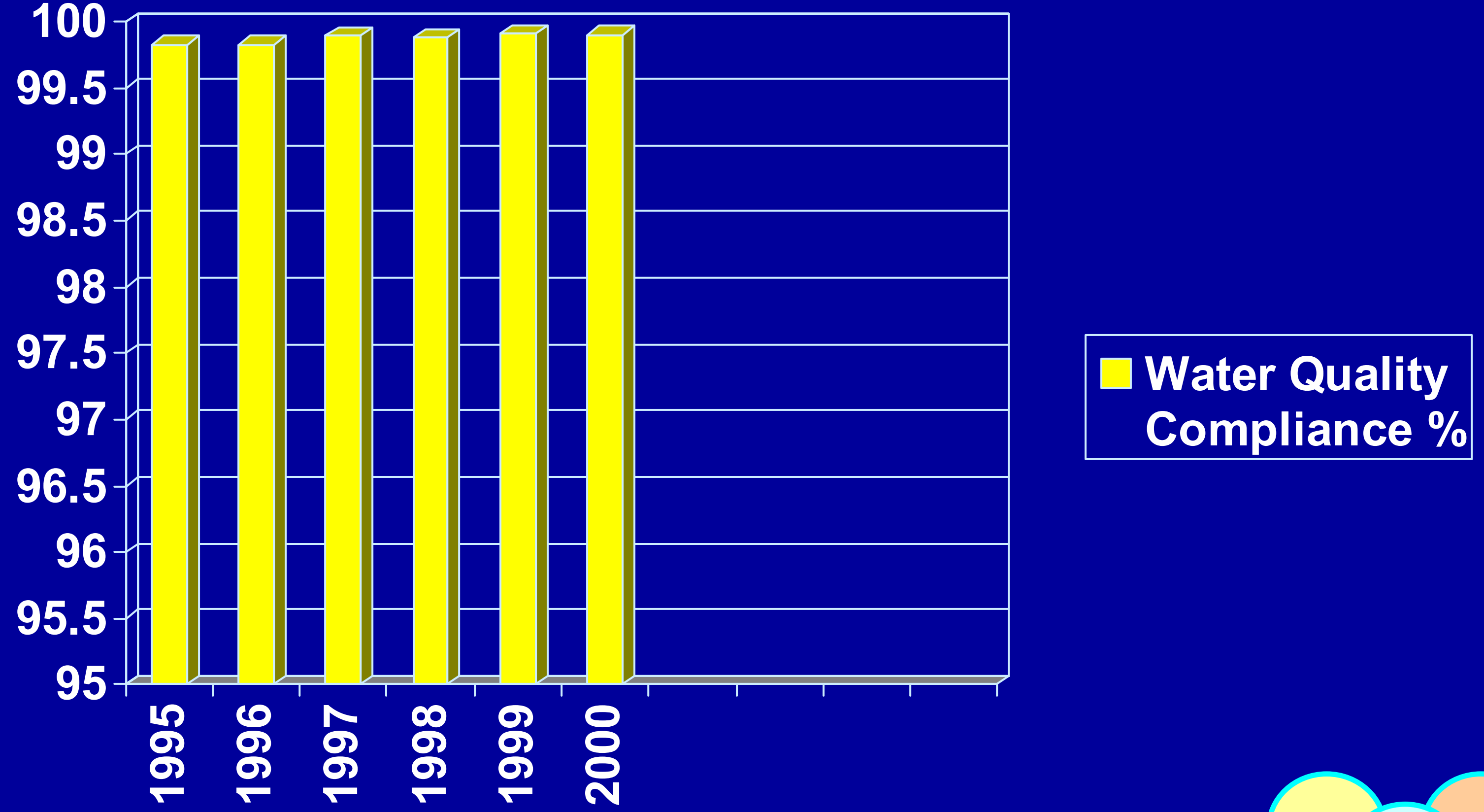
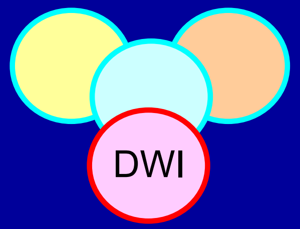
The Drinking Water Inspectorate



>99.9% Compliance



Data for STW

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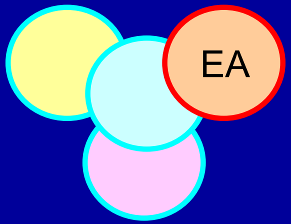
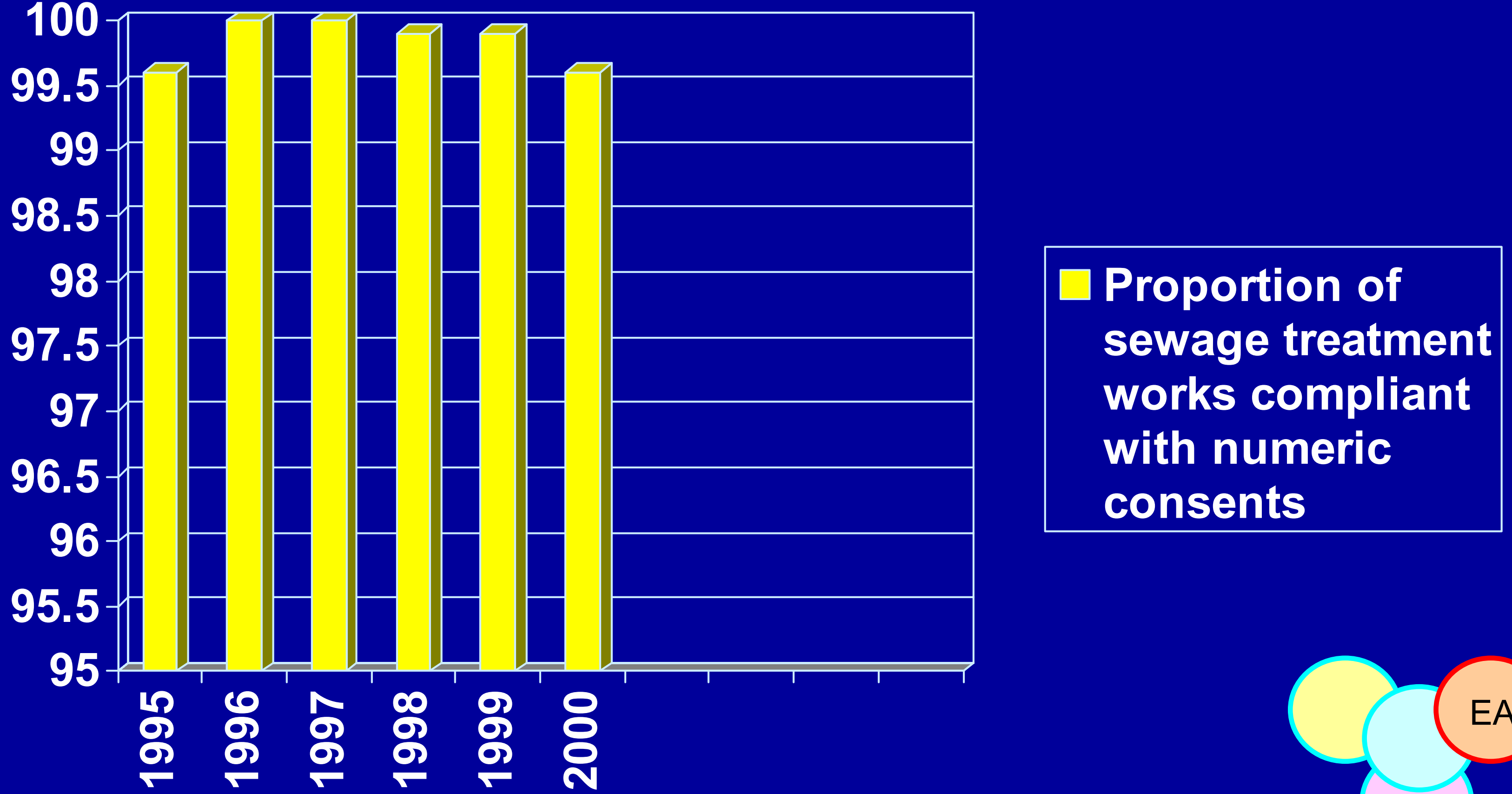
The Environment Agency

- addressing climate change
- managing water resources
- integrated river basin management
  - monitoring sewage effluents



Sewage Treatment Works Compliance



Data for STW

>99.8% Compliance

EA

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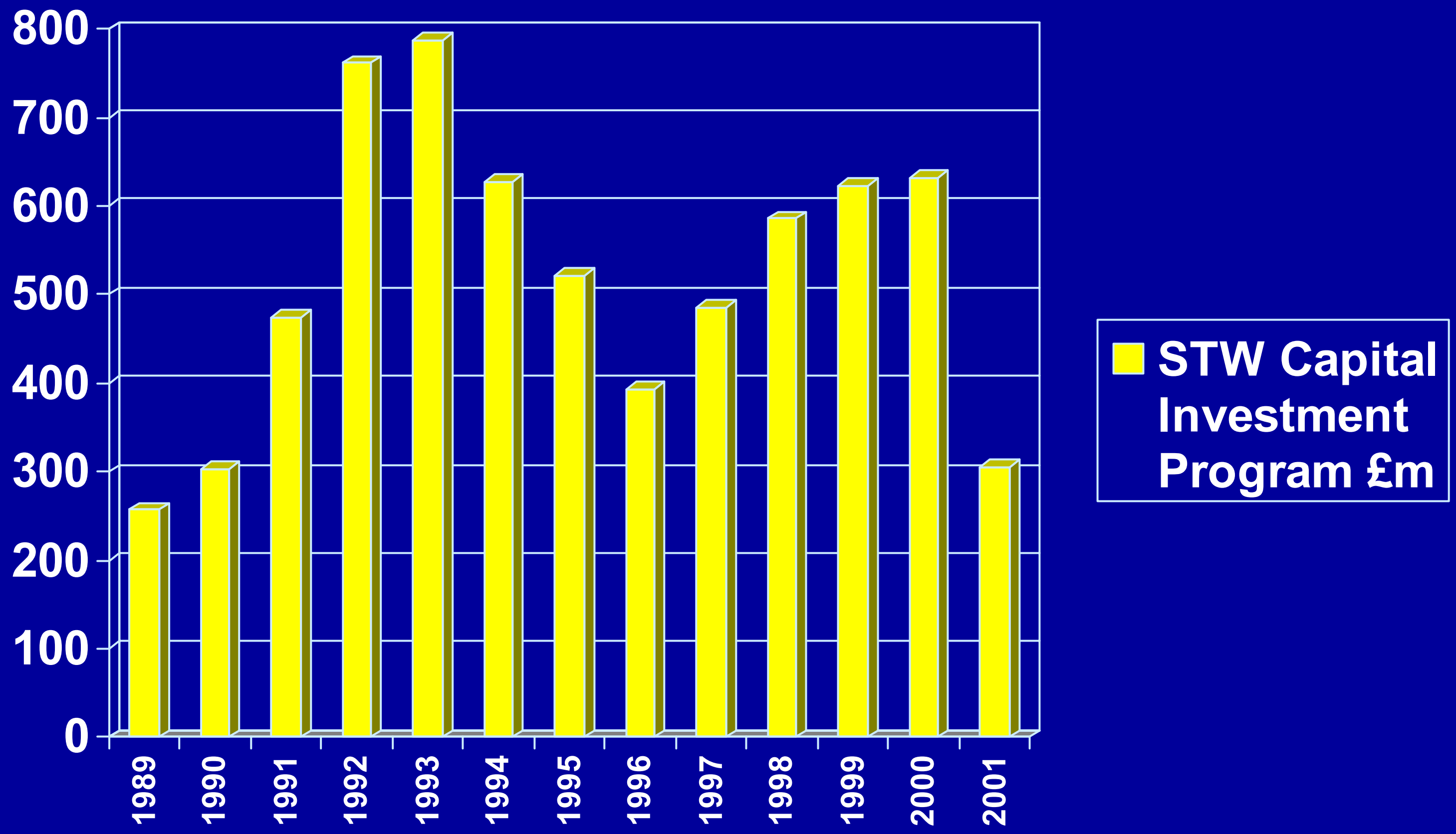
The financial drivers

Investment



Data for STW
00/01pb

Average £520m pa (USD$740m pa)

Benchmarking performance

("The Power of Publication")

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Summary