

**This charter is presented as a draft - the STUC welcomes views and comments from other interested parties.**

## **STUC charter for Scotland's water industry**

1. Scottish Water should remain publicly owned and accountable. The challenges facing a publicly owned industry are considerable but not impossible to overcome given time. The key requirement for creating a safe, efficient and effective water industry will be the implementation of a more realistic financial framework rooted in the realities of the water and sewage infrastructure in Scotland, not economic theory or false comparisons with England.

2. A public water industry should be focussed on the following objectives:

- Providing an effective and accessible public service;
- Maintaining public health;
- Protecting the environment; and,
- Underpinning economic development.

3. In this Charter, we highlight some key principles which, if followed, will help to ensure that these objectives are achieved.

### **Structure**

4. The regulator, some business groups and elements of the Scottish media have sought to exploit dissatisfaction over water charges to undermine Scottish Water and pursue a privatisation agenda. Ongoing EU internal market reforms and GATS negotiations are also likely to increase pressure on the public corporation model.

5. The STUC remains of the view that privatisation offers no solution to the challenges facing the industry. That view is supported by the experience of water workers and water users in England and Wales. It is the partial privatisation of Scotland's water through PPP/PFI schemes that has led to higher costs and a fragmented service. Mutualisation is also rejected by the trade unions on the grounds that a mutual solution in a capital-intensive industry like water is simply privatisation with the facade of public involvement.

6. The STUC does not believe that there are any viable alternatives to Scottish Water nor does it believe that the pursuit of alternatives is justified by the performance of the corporation. Scottish Water remains the only practical way forward and it is essential that the corporation is afforded the opportunity to build on its improving performance. A further reorganisation would only cause damage to the industry and further reduce the pace of investment.

7. The public corporation model provides democratic accountability and acknowledges that the treatment and supply of water must be treated as an important element of social policy

### **Finance**

8. A major upgrading of water and sewage systems is necessary to meet the objectives listed in paragraph 2. The cost of upgrading the infrastructure is significant and can only be met by water charges or from the block grant. The financing of Scottish Water is highly complex and not helped by the availability and presentation of published data. This is reflected in public understanding, particularly when charges increase. This understanding is not helped by exaggerated claims by special interest groups many of whom have benefited from years of very low charges.

9. Public Private Partnerships (PPP) are poor value for money and contribute to the gradual privatisation of the industry.

### **Charges**

10. The reason for the recent very large increase in charges is the necessary and long overdue capital investment programme now being undertaken by Scottish Water. Rising charges can be attributed to the cost of these capital projects being financed out of annual revenue. The problems with water charges have largely resulted from the pace of harmonisation and the structure of charges recommended by the WIC.

11. The STUC believes it is wrong to seek to recover the cost of long-term capital investment programmes from today's water customers when the greatest benefit from these will accrue to future generations.

### **Regulation**

12. An effective regulatory regime should be focused on helping achieve the objectives listed at paragraph 2. The public provision of a safe and environmentally sustainable water and sewage system has broad political support but is put at risk if regulation focuses, without regard to quality of service, on crude, short term efficiency measures more appropriate to a private setting.

13. Regulators must pay due heed to the wider social and economic ramifications of their decisions. Analysis must be based on evidence and not unhelpful comparisons with water industries in other countries with major structural differences.

14. The current regulatory structure is unacceptable. A board, including representatives of the workforce and accountable to Scottish ministers, should be established to oversee regulation of the industry. It is also essential that the regulators adopt an open consultative approach and are duty bound to fully explain the reasoning behind their decisions.

## **Employment**

15. The STUC and its affiliates always recognised that the introduction of more efficient plant and equipment together with new methods of working and the economies of scale Scottish Water brings, would result in job losses. However, we continue to have serious concerns about the scale of job losses and the pace of change.

16. Apart from the economic and social impact of job losses to date, often in small rural communities, there are very real implications for safety and customer service. Most of the staffing changes have happened before capital investment has been introduced and therefore it is inevitable that safety is compromised and customer service reduced.

17. Employment levels in the water industry should be linked to the completion of new facilities and safe systems – not financial targets. The loss of experienced staff could fatally undermine safety and customer service.

18. Employees within the industry should be recognised as its strongest asset. Good employment practice is at the heart of high quality public services. High quality, efficient and effective water and sewage services, will best be achieved by a well resourced, motivated, trained and rewarded workforce, with extensive opportunities to influence decisions about the development of the industry.

**Scottish Trades Union Congress**  
**May 2004**