

# **SCOTTISH TRADES UNION CONGRESS**

## **Response to Scottish Executive consultation on the Draft Water Services (Scotland) Bill**

### **Introduction**

The STUC is Scotland's Trade Union Centre. Its purpose is to co-ordinate, develop and articulate the views and policies of the Trade Union Movement in Scotland and, through the creation of real social partnership, to promote trade unionism, equality and social justice; the creation and maintenance of high quality jobs and the public sector delivery of services.

The STUC represents around 630,000 working people and their families throughout Scotland. It speaks for trade union members in and out of work, in the community and in the workplace. Our affiliated organisations have interests in all sectors of the economy. Our representative structures are constructed to take account of the specific views of women members, young members, black/minority ethnic members, LGBT members, and members with a disability, as well as retired and unemployed workers.

The STUC welcomes the opportunity to comment on this important draft Bill. In recent months there has been considerable comment on the state of the water industry in Scotland. Much of this comment is based on a limited understanding of the industry and the scale of the challenges facing it, often resulting in absurd solutions being proposed. This has done little for the morale of staff in the industry who are attempting to patch together a service with fewer staff than ever before, and ill serves the public who have the right to access high quality, efficient water and sewage services.

## Key points

The proposals on prohibiting common carriage and household retail competition are welcome and justified on public policy grounds.

Competition in non-households is less welcome. The 160,000 premises covered by this competition are a significant part of Scottish Water's operation and business separation will be a further and unwelcome disruption to staff. Some of the main problems include:

- Experience in the energy industry shows that business separation is expensive. The loss of integrated operations, economies of scale, rebranding etc all add to the costs charged to customers.
- A whole new industry is created with new customer service, billing, marketing and sales operations, all of which divert resources which could more effectively be deployed improving water and sewage networks.
- Further systems will have to be established to allow switching between suppliers. This has caused chaos in the energy market and will inevitably do the same in water and sewage.
- As Scottish Water will have a statutory obligation to supply everyone they will be left with disjointed retail operations.

The STUC believes that extending the powers of the Water Industry Commissioner (WIC) to directly set wholesale charges is unlikely to be wholly beneficial to either customers or the industry. The STUC strongly believes that the WIC now needs to be accountable through a Board, similar to OFWAT. This would go some way to mitigate employee concerns that the WIC is directing Scottish water incrementally to privatisation.

## **Consultation questions:**

### **1. Prohibition on common carriage**

The STUC welcomes the prohibition of common carriage which we believe eases significant public health concerns.

### **2. Prohibition on retail competition for households**

The STUC welcomes this aspect of the Bill in maintaining water supply and treatment as aspects of social policy.

### **3. Licensing the provision of retail water and sewerage services**

The STUC is concerned that insufficient detail is required from potential license holders and that the proposals constitute a massive extension in the role and powers of WIC. The WIC alone will establish who receives a license, in effect determining who will compete.

### **4. Setting wholesale charges**

The STUC has little confidence in the WIC to set charges fairly. The WIC's approach to water charges has tended to reflect an attachment to economic theory rather than a grasp of the realities on the ground. Will Scottish Water be able to contest the WIC's decisions?

### **5. Thresholds**

The STUC believes that the use of transitional thresholds, as in England and Wales, is desirable. There are potential dangers in opening the entire non-household market in one step.

### **6. Arrangements for transferring information about retail customers**

Satisfactory arrangements for the exchange of accurate information are essential. The STUC does not believe it is tenable to expect retailers to 'agree among themselves' arrangements for the transfer of information about customers. Again, the WIC is taking on more, albeit 'informal' responsibilities.

## **7. Licensing Scottish Water's retail activities**

Scottish Water as an organisation and their employees require a period of stability. Further re-organisation is undesirable and unnecessary at this time.

Moving into retail may well necessitate an external partner for Scottish water to defray start up costs such as call centres, billing and marketing. This raises concerns for our affiliated trade unions on issues such as where the employment contracts of staff will be held.

### **Conclusion**

Whilst welcoming proposals on prohibiting common carriage and household retail competition, the STUC is very concerned about the adverse impact that licensing non-household retail competition is likely to have on Scottish Water and its customers. We are also concerned that the draft Bill massively extends the power of the WIC without sufficient lines of accountability.

**STUC**  
**January 2003**