

Environment, Food and Rural Affairs Committee

Oral evidence: Regulation of the water industry, HC 1041

Wednesday 11 July 2018

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Members present: Neil Parish (Chair); Dr Caroline Johnson; Sandy Martin; Angela Smith; Julian Sturdy.

Questions 289 - 369

Witnesses

I: Dr Thérèse Coffey MP, Parliamentary Under Secretary of State for the Environment, Department of Environment, Food and Rural Affairs; Dr Sebastian Catovsky, Deputy Director for Water Services, Department of Environment, Food and Rural Affairs.

Written evidence from witnesses:

– [DEFRA](#)

Examination of witnesses

Witnesses: Dr Thérèse Coffey MP and Dr Sebastian Catovsky.

Q289 **Chair:** Welcome to you, Minister. It is nice to see you back in your position. We are very pleased to have you back. I do not think you need to introduce yourself, but would Dr Catovsky like to introduce himself? We will then get stuck in.

Dr Catovsky: Yes, I am Dr Sebastian Catovsky. I head up the water policy team in Defra.

Q290 **Chair:** Thank you very much. The first question is: how good is the UK water and sanitation infrastructure compared with countries such as France and Germany?

Dr Coffey: I must admit that I was not anticipating that question. Do you want to give it a go while I have a think?

Dr Catovsky: The thing we can say is that there has been a big investment in infrastructure since 1990. £140 billion is probably a figure that you have heard from other witnesses as well. The average is around £5 billion a year. We have seen big improvements in environmental performance.

Q291 **Chair:** It was very much underinvested in before that, was it not?

Dr Catovsky: Yes. I do not have international benchmarks with me. We can certainly get back to you on that if there are any.

Dr Coffey: Do you have a view, Mr Chairman?

Chair: We have taken various evidence from people and, funnily enough, the evidence we had from one witness is that some of the Victorian structures are actually lasting much better than some of the later stuff after the Second World War, so it is an interesting situation. I suspect it is about the fact that some of the French and German systems might be slightly more up-to-date than ours. I do not know. I am not an expert on where they are but perhaps it would be an interesting comparison to make and perhaps we can have some written evidence on that.

Dr Coffey: You will be aware, Mr Chairman, of the big investment that is happening in the Thames Tideway Tunnel. I am at risk of becoming the least popular Member of Parliament because there is a risk that Victoria Embankment will have to be closed for some time, which I am sure some of our colleagues will not appreciate. It is recognising that there has been a lack of investment, and that is why there is the pledge, which we will push on, of the commitment of the water companies now to invest a further £5 billion by 2025, particularly on environment but in essence to be doing more to make sure that the water that they have is good not only for drinking but for the environment as well.

Q292 **Chair:** Thames Water has been fined something like £20 million, has it



not, because of the amount that has gone out into the Thames when there have been storm conditions and other things? That concentrates the mind quite well. We congratulate them on the Thames Tunnel but the problem we have—and the point we made this morning as well with our evidence session—is that we are just a bit concerned that the Environment Agency and others naturally give the water companies time to get their infrastructure in place, especially on wastewater and others, but are we giving them too much time and are we using enough teeth? I know you have a good set of teeth, Minister. What would you say to that?

Dr Coffey: In our strategic policy statement that we laid out for Ofwat, we stressed the importance of dealing, in particular with some of these other matters on wastewater, and we anticipate that being reflected in the management plans. I cannot quite remember when we are producing our national policy statement but it is before the end of the year.

Dr Catovsky: It is autumn.

Dr Coffey: There is quite a lot of clear direction coming from the Government on where focus needs to be made.

Q293 **Chair:** Do you think that is likely to be here before the end of the year?

Dr Coffey: Yes, that is my expectation.

Dr Catovsky: We are due to publish a draft national policy statement this autumn. The water companies are also finalising their water resource management plans, which set out their long-term plans for making sure they have enough water resources for the next 25-plus years. That then also informs their business plans, which are due with the regulator in September. It is quite a critical planning period.

Q294 **Chair:** Defra's submission—your submission to us—has stated that there has been no investment in new national significant supply infrastructure such as major reservoirs since privatisation. Where would the Government like to see further infrastructure investment? What major infrastructure is needed over the next 25 years? If you are saying that there has not been any investment, you must have a rough idea of where you might like to see that.

Dr Coffey: The reservoir everyone is waiting for is the one at Abingdon—the Thames one. I cannot break confidences but very strong messages have been given and recognised by Thames about the importance of getting that done. It is important that we have a robust regulator with Ofwat and clear policy direction from the Government. As Dr Catovsky pointed out, there have already been a number of activities but it is all coming together. I am hopeful—"hopeful" is actually too mild; I am confident that we will be seeing indications of investment.

Dr Catovsky: We have also noticed quite a change in the discussion since the National Infrastructure Commission published its water report.



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It did its full report yesterday but it published its water report in April, which sets out clear recommendations both for managing demand and for investing in new infrastructure. Since then, we have seen quite a change in the way the companies and the regulator are thinking about future investment. It certainly seems to be driving people to think about what more we need to do.

Chair: You have a company like Thames, which has 13 million customers, and it is very dry in this part of the world and it is very dry at the moment in lots of parts of the country. When it rains all the time, we are always worried about flooding, and then, when it stops raining, we are then worried about drought. The secret is to try to plan for the drought while you still have water. That is the bit we are particularly interested in. The south-east, in particular, does potentially have a long-term issue with supply of water. It is not only about reservoirs; it is about whether we do enough recycling and whether we use our water more efficiently. We will go on to talk about those questions in a minute.

Q295 **Angela Smith:** On leakage, the Ofwat target is 15% by 2025, which funnily enough is consistent with the environment plan. However, Yorkshire Water, for instance, is developing a 40% target. Why are we not being more ambitious?

Dr Coffey: It was the concept of what could be achieved in the next 10 years. We can and should go further. One of the things that is not widely known is quite how much leakage often happens through customers' pipes that are not directly controlled by the water companies. That was a particular feature of certain parts of the country with the Beast from the East and the thaw that happened then. I know that more water companies would like to have greater amounts of metering than exist today because they just feel it would give them more information on where the water is going and similar.

That said, it is worth me saying that some of the companies, as I have experienced as a customer, often need a bit of a kick to get leakages fixed, as happened in the road outside of the block of flats where I live in London. It seemed to take about two and a half months before they got it fixed and yet there was water coming out of it every day.

Q296 **Chair:** Another issue on metering that we took evidence on was the fact that, in a way, if you do not have the water metered into the property, on the whole the water companies do not quite know what the leakage is. It would cut down people's usage if they had to pay for every litre that went through their meter, and the water companies would also have a better idea of where the leaks were.

Dr Coffey: The chief executive of Water Yorkshire was keen to make progress on a number of issues, including natural flood management. It is a very forward-looking organisation.

Q297 **Angela Smith:** The point is, if Yorkshire Water can do it, why can other water companies not do it? The evidence on where the leaks are is



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actually conflicting and is not consistent. The point remains, whether it is from customers' pipes or from the point where it becomes a mains issue, that Yorkshire Water has a more ambitious target. On that basis, I do not understand why other water and sewerage companies cannot deliver to the same target.

Dr Coffey: I am sure that that may well feature as a recommendation. Our target, at the moment, is focused on 2025, so it was supposed to be a few years ahead. We can be more ambitious than that but it will need some quite radical changes to help, and that is what you see in other countries where the reduction has happened. There are challenges on leakage. We need to go on a little bit of a political journey to make that happen.

Q298 **Angela Smith:** Customers do not like being told to reduce their use of water when they know that, in Thames's instance, 25% is being lost through the pipes. It is not an easy message to sell, is it?

Dr Catovsky: The industry made good progress in the 1990s to get leakage down from 4.5 billion to now 3 billion litres per day. The 15% will feel like quite a step change in the next five years so it will be quite ambitious to deliver nationally. It will be helped by some companies such as Yorkshire really leading the way.

Q299 **Angela Smith:** Let us just go on to the National Infrastructure Commission's recommendations, which I think are quite exciting. It points out that there needs to be the equivalent of a saving of 4 billion litres a day through a combination of reduction in demand on the part of customers', leakage and new supply infrastructure. Am I right in assuming that the Government's response to that will be coming by way of the national policy statement in October?

Dr Coffey: That is a good question.

Dr Catovsky: The formal response will come from the Treasury to the whole of the National Infrastructure Commission but we will be looking at different ways that we can deliver on the specific water recommendations. As I said, we are already using the National Infrastructure Commission report to challenge companies on the water resource management plans that they are putting in.

Dr Coffey: I do not know which came first exactly but it just reinforces our focus on greater resilience to prolonged dry weather; we are not allowed to say "drought". The challenge is on water. There is very much an in-step mind and thinking on that as we move forward.

Q300 **Angela Smith:** I take the point about the Treasury responding to the full report but, with regard to the water-related elements of the commission's report, it sounds to me as though they are going to be covered by your national policy statement.



Dr Coffey: I do not know how specifically we will get into 2050, but the issues they highlight and some of the solutions are definitely things that we are working on in terms of policy development.

Q301 **Angela Smith:** I assume that discussions are ongoing with the Treasury. I would hope that Defra—and you, Thérèse, in particular—are pushing the Treasury to accept those recommendations.

Dr Coffey: Yes.

Angela Smith: You are.

Dr Coffey: Yes.

Q302 **Angela Smith:** On that basis, do you believe that the NIC's report, as far as water is concerned, is plausible and politically achievable?

Dr Coffey: That is part of the political journey, as I say, in terms of working out how we can make that happen. There is a lot of good stuff in there. We just need to work it through.

Dr Catovsky: The report itself has been quite influential, partly because of the body that produced it, but it is quite consistent with a number of reports that have come out over the last couple of years, and the strategic policy statement that we produced was part of that package, in a sense. The message is that we have been pushing on long-term resilience as part of that overall package.

Q303 **Angela Smith:** It is difficult to read from what you have just said. Thérèse, you were very clear in saying that you are pushing the Treasury, as a Department and as a Minister, to adopt the recommendations formally and to accept them. I am assuming that the other reports and bits of pieces of what you are referring to, Sebastian, are going to be used to underpin the support that you are giving to the report.

Dr Catovsky: Yes, that is right. We are using it also to push the water companies to be very ambitious in the plans that they put forward. In essence, that is the thing that really matters, i.e. what will the water companies do on the back of it in terms of future investment? For us, that is the real key part of this.

Dr Coffey: What I am trying to say is that there were no big surprises from the NIC, and it is helpful that an organisation like the NIC has done this. Some of what we are already doing is in line. That allows us extra push towards the Treasury to try to make that happen.

Q304 **Angela Smith:** I am sure a new reservoir at Abingdon will not be enough to deliver, if you like, the range of things that we need to see for resilience in the entire Thames catchment, but it would be a significant contributor. One of the points that the NIC report makes is that water transfer will be important. In Yorkshire, we have a grid that we have developed, through Yorkshire Water, through a very bitter experience



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back in the 90s, and that effectively means that water can be moved around the company's area very effectively. Water transfer works. Can it be delivered? This must be one of the most challenging aspects of the National Infrastructure Commission's report.

Dr Coffey: I remember an issue coming up just over a year ago in Hampshire. There was a bit of back and forth between two water companies. I know that Ofwat at the time intervened somewhat. There is more that we want to do, and we have said that we think there should be more on water transfers and active encouragement. We recognise that that is not happening yet but we are starting to see some more relationships happening between water companies, recognising the challenges they face.

Q305 **Angela Smith:** How important is it? How important do you see water transfers as part of this big piece of work we need to do in the next 30 years to deliver resilience in the context of increased population and more climate change incidents? How big a part will water transfer play?

Dr Catovsky: It is crucial. The NIC said that, of the extra 4 billion litres of water per day that we need, about one-third is from demand, one-third is from leakage and one-third is from supply in the round, which will include new storage but also include transfers. They do not say how much of that one-third should be from transfers and storage but you definitely need both. Ofwat, we and the Environment Agency are actually all pushing water companies to increase the amount of transfers that they put forward, even in the current plans that they are developing at the moment. At the moment, 4% of water—you probably heard this morning from the Environment Agency and Ofwat—is transferred between companies, and that probably needs to double over 10 to 20 years.

Angela Smith: Can water companies be left to do this on their own? Thames Tideway is a major £4.2 billion project that has required a special delivery vehicle, quite rightly. I totally support Thames Tideway. We met Andy Mitchell against yesterday and had a very useful conversation with him. The point is that, surely, there is a real role for governance in ensuring that water transfer takes place. It may require some pretty intricate and difficult negotiations, and the development of some new delivery vehicles, in order to get water transfer right, particularly between Wales and England.

Q306 **Chair:** Can I add to Angela's question? Minister, you said just now that Ofwat had to bang the heads of two companies down in Hampshire. It is good that they banged their heads together but should that be necessary? Surely there should be a mechanism where, under water stress moments, those companies automatically transfer water.

Dr Coffey: There are commercial relationships that water companies have with each other. A good example is between Welsh Water and United Utilities, and they have that relationship already.



Q307 **Chair:** Where they do not, is there anything in place to put that right?

Dr Coffey: Again, I am not really sure how much I should say, but the particular situation was basically an argy-bargy about price. We have also raised with Water UK to some extent that they have to make sure that customers do not fall out. That particular situation was driven by the Environment Agency refusing permission for more abstraction, and that is how one water company had been trying to get more water. They just absolutely refused to do it for environmental purposes. I am afraid it does need a bit of nudging every now and again.

Q308 **Angela Smith:** It is more than nudging, is it not? It is in the national interest.

Dr Catovsky: This is exactly what the national policy statement is there for. It is there to specifically look at the national need for new infrastructure and, once the need has been identified, to allow it to move through the planning system in a more streamlined way. We are developing a national policy statement because we recognise that we cannot just leave some of these infrastructure issues to individual companies. There will be some transfers that are really strategic—big transfers between catchments—so we do need a national view. The Environment Agency is also keen to develop more of a national view of water resources, and we think that the national policy statement will really help us to do that.

Angela Smith: Given that we are talking about a 30-year period, of course, this Government will not deliver all of this. It may not last until September, never mind for another 30 years.

Chair: I could not possibly comment.

Angela Smith: It is important that the principles will be established now. We need to be clear from the very beginning that the national interest will come first.

Q309 **Chair:** The point, Minister, you made is that it is about one company holding another to ransom. When you have private operators that have a monopoly in their own areas, they are inclined in a drought situation to say, "Our water is worth more because that lot over there do not have any". That is the issue and that is where it needs to pool together more. We await to see something in autumn, do we?

Dr Catovsky: Yes.

Dr Coffey: I would not want to accuse one of the water companies of holding another to ransom. That would be a bit unfair.

Chair: Those were my words, but you did say it was a pricing issue; is ransom not a price? It is just that the price happens to be high. That is the only difference. We probably do not need to argue about what ransom means, but it is a fair point.



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Dr Catovsky: When I was talking about the impact that the National Infrastructure Commission report is already having, one of the impacts is actually to encourage companies to talk more to each other about how to transfer water. In the south-east, it is particularly important that they take a co-ordinated view. There are some positive steps. There is the Water Resources in the South East group that get all the companies in the south-east to develop a more co-ordinated approach. We think there is more to do there.

Q310 **Julian Sturdy:** I just want to move on to Defra's water abstraction plan. Obviously, Defra sets this out on a voluntary basis rather than a legislative approach. Why did you go down that voluntary approach?

Dr Coffey: To be quite candid, it is often quicker to get the voluntary approach going than trying to prepare legislation. We will track progress on it and reassess the approach, if necessary, including the powers that the agency might want if progress is too slow. The water companies themselves plan to reduce their current abstraction by 260 million litres by 2025. It is on our watching list but sometimes it is just about timing.

Dr Catovsky: This came up this morning.

Chair: I am glad to see you were watching our session this morning.

Dr Catovsky: Of course. I was here. It is not a purely voluntary system at the moment. The Environment Agency can amend licences.

Julian Sturdy: Yes, the Environment Agency are going through licences at the moment, are they not?

Dr Catovsky: Exactly, so they can amend water company licences in a sense once they have got the case and, as I think you heard this morning, many of the changes that we need to deliver to reduce over-abstraction come from water company licence changes. They already have quite strong powers to amend licences if they consider there is environmental damage as a result. It is other licences where they want to take more of a catchment approach and think about what the right approach is for the catchment.

Dr Coffey: I do not know if they said it this morning but over the last 10 years they have reduced the abstraction licences by about 27 billion litres a year.

Q311 **Julian Sturdy:** When you are looking at the voluntary approach, you said that, if you feel that it is not working then or you are not getting enough movement on that, you might consider primary legislation or you might consider taking further action.

Dr Coffey: It is waiting for a request from the agency on what it is that they feel that they would need to go further. Primary legislation is always challenging to find time for in this place and that is why, in the past, we have indicated that secondary legislation might be the route to get stuff done more quickly.



Dr Catovsky: We and the Environment Agency have set clear targets for how much we want to achieve through the current approach in terms of reducing over-abstraction. We want to get to 90% of surface water bodies and 77% of groundwater bodies being in good ecological status as a result of water resources. If we do not achieve that by 2021, we will look again at what additional powers are needed. We have set out pretty clearly what we are looking to achieve over the next three years.

Q312 **Julian Sturdy:** How often will the Environment Agency be reporting back? Are they reporting back to you on an annual basis on how they are getting on or is it a matter of you having those conversations with the Environment Agency about how they are working through their current abstraction process?

Dr Coffey: I would expect to hear from them in January or February next year on what has happened in the first year since the plan came out.

Q313 **Julian Sturdy:** So there is no formal reporting back; it is more that you would go and ask for an update.

Dr Coffey: Yes.

Dr Catovsky: There is one formal point that is set out in the Water Act, which is that the Government need to report to Parliament on progress by spring next year. There will certainly be a clear marker at least a year or so on from the abstraction plan but that does not take us all the way; we want to continue reporting after that.

Q314 **Julian Sturdy:** I have a slightly off-track question but still on abstraction. What about new abstraction and future abstraction that might come forward, or demands for future abstraction or new abstraction?

Dr Coffey: I do not know enough about that but my expectation is that abstraction requests are regular. The EA is the best place to try to make that balance on what is possible.

Q315 **Chair:** The issue there, Minister, is to make sure that the Environment Agency does have enough powers to be able to regulate fresh abstraction, and that is probably what needs to be checked. We were questioning Sir James Bevan about it this morning. He seemed to be relatively satisfied. I just feel it is all a little bit too "matey". Voluntary agreements work alright as long as you have a big stick; if they do not do it voluntarily, you have a big stick to use on them. At the moment, there does not even seem to be a twig, let alone a stick.

Dr Coffey: In my very first week as a Member of Parliament, I became very aware of the importance of water abstraction down in East Suffolk. We are trying some pilots there as well, trying to work out how to make things work better over the entire year. I can assure you that I have had a number of MPs wanting to see me with their constituents about some of the abstraction licence changes we have done. It is hurting some people; there is no doubt about that.



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Dr Catovsky: One of the firm things we did last year was to bring previously exempt abstractors into the regime. There were a class of abstractors who had no licence conditions at all on them, and we have set out clearly that they will become part of the regime over the next two to three years.

Q316 **Julian Sturdy:** Are you talking about abstraction licences?

Dr Catovsky: No, these are people who had no licences at all, so there are certain classes of use just for historic reasons that were not within the regime.

Julian Sturdy: Low-level agricultural use like trickle irrigation and that sort of thing.

Dr Catovsky: Yes, it is a range—those that use it for quarries, and others.

Q317 **Julian Sturdy:** This might be a question more for the Environment Agency, and I apologise if it is, but, on abstraction, will there be a priority going forward? Will there be a priority for water abstraction for what could be classed as mainstream infrastructure—power plants, et cetera—over food production, perhaps? Will there be criteria for what might trump one thing with another, if you are trying to reduce it?

Dr Coffey: You will know from your own experience that business and agriculture are the first to be told to stop abstracting, versus domestic use.

Julian Sturdy: I was not talking about domestic use; I was talking about the other industries that do abstract water.

Dr Coffey: I do not recall having had any recommendations on that or any indications that that is changing. We will all be aware of new national infrastructure that is happening, or possibly happening, in different parts of the country, but I am not particularly aware.

Q318 **Julian Sturdy:** I throw that in because I just wonder where the potential for future fracking lies within this, and the potential for abstraction licences, because obviously that potential industry could use considerable water and might need to abstract it going forward. Is that something that could be given priority over agricultural use?

Dr Coffey: I seem to remember from my life in fracking that more gets used on a golf course than would be used in fracking.

Angela Smith: There is no protest outside golf courses.

Chair: Most of the water is supposed to be drawn from well under the groundwater area, is it not? I am not sure that that is a huge issue.

Dr Coffey: You might want to ask the Environment Agency about that.

Chair: We did an inquiry into it some time ago.



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Angela Smith: It needs planning permission or assurance that it will not create a water shortage or make one worse.

Chair: The Environment Agency has powers over that, if I remember rightly.

Q319 **Julian Sturdy:** That is fine. It is more about priority and trying to get an understanding and a structure for future priorities.

Obviously, pollution incidents are very much of great concern, especially when we are talking about pollution going into the watercourses. Are water companies doing enough to reduce pollution incidents, particularly when we are talking about rivers and natural watercourses?

Dr Coffey: There are a variety of things going on—the one that is most disappointing is South West Water, without a doubt. You will know them better than anybody else here, Mr Chairman. They will cite the ongoing investment they still have to make. Scott Mann, of course, did his 10-minute rule Bill yesterday, and the south-west has the largest bills in the country at the moment. There is still about a £50 subsidy that homeowners get.

Chair: They have so many beaches, you see. That is the issue there as well.

Dr Coffey: Yes. That is disappointing, and I know that Northumbria has slipped back with the issue on permitting, which seems a bit odd to me because generally I think they are pretty highly functioning there. The fines, as you have indicated, have been a bit of a wake-up call for some people. Of course, I would rather that they be investing than paying fines but, if this is part of the stimulus, those are the powers that we have given to be able to administer these. Do you want to add more?

Dr Catovsky: No, that is a good assessment. That is a clear assessment.

Q320 **Julian Sturdy:** You talked about fines. Do you have a level or a percentage on how high you think the fines should be, so that they are not just seen as part of an everyday process within the water business where it allows for these fines in its budget and is happy to pay them, i.e. that it makes them change behaviour?

Dr Coffey: The two large fines that have happened to United and Thames Water on a variety of issues were not just seen as the cost of doing business; it was a real nudge to them. As I say, I would rather they be spending this money on investing.

Julian Sturdy: We would all agree with that.

Dr Coffey: I have forgotten the phrase but that is why the EA also takes that approach of where they are a bit out of step and we get them to make good. I have forgotten the phrase now. There is a different way of making recompense by doing things, and that is what we want to continue to encourage. The large fines have had an impact.



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Q321 **Angela Smith:** On that final point, Minister, an alternative to fines would be to encourage investment. Surely we should require investment if laws have been broken and significant pollution incidents have occurred. I take the point that remedy of the problem by investment would be the right thing to do, but surely we need to require it rather than encourage it.

Dr Coffey: The industry has said that together, collectively, there will be £5 billion investment in the next seven years. I think that is good.

Q322 **Angela Smith:** That is not the point, is it? That is as good as a let-off. Emma Boyd has said that fines should be proportionate to company turnover. Either it is that or we absolutely say to the water companies, "You have to do this. You have to invest". Surely, Government have to take that route if they are not going to levy proportionate fines.

Dr Coffey: What we will see coming through from their business plans and so on is an indication, because there is a strong requirement to hit certain targets and Ofwat needs to validate those or make an assessment of them, and we will—as I have done on other aspects of plans coming from water companies—go back when we do not think it is good enough.

Chair: Angela, we have to leave it there, because you told me last week that we need to keep much more preciseness. You are stepping over the mark time and time again. I do not mind that but we have to stick to the question a bit more. You did give me a lecture about the meeting and how long it was going on.

Angela Smith: It was Kerry McCarthy, not me, if I remember rightly, but the point is, Chair, that either we do proper fines or we find other means of doing it, and I do not get any sense from the Minister of clarity on this point.

Q323 **Chair:** Thames Water recently had the fine of some £20 million, did it not? That is a good message, is it not? Are you, Minister, expecting those sorts of fines when there are bad breaches to be quite significant? If they are not significant, the companies will not change their behaviour, will they? That is the trouble.

Dr Coffey: Yes, and that was a significant fine.

Q324 **Chair:** You would support that in the future.

Dr Coffey: Yes, absolutely.

Chair: I think you had better leave it there, Angela.

Q325 **Angela Smith:** Moving on, what has been achieved in the retail market for water?

Dr Coffey: I would say, so far, not a lot. The key thing I asked to be observed is what has happened to small businesses. There is awareness of it, and what we have seen is where it has been easier to just have one water operator or the company you deal with. There are some more



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powers or parts of the Act that we intend to open up, but we need to make sure that both the EA and DWI are clear about new suppliers and wholesalers effectively coming into the market. That might start to drive more of a change. I guess I have had more letters about, "Why am I no longer being billed by Thames and why am I being billed by Castle?" There has been some confusion on that, and that is one of the things that we want the industry to do: to try to boost the amount of knowledge. I do not think that we want to get into forcing companies to change. At the end of the day, it is supposed to be an open and free market.

Q326 Angela Smith: Nobody wants to force any company to change its retail supplier, of course, but one of the problems has been issues around data quality. What are you going to do, Minister, to improve the completeness, the accuracy and the timeliness of the data that you need to deliver an effective marketplace?

Dr Coffey: I have met MOSL in the last year, and this was one of the issues that came out of opening up the market, in terms of some of the lack of information, so that has been one of the key progresses that it has been working on with Water UK—obviously representing the different water industries—to get that information better. It is early days. As I say, I think about 10% of eligible customers have been active in the market or considering or renegotiating their deals. However, in the end, the amount of people who have switched have saved some money but not a lot.

Q327 Angela Smith: Data is critical to all of this. How is the Department going to measure whether or not there is an improvement in terms of the accuracy of the data?

Dr Catovsky: That is exactly why we have the Ofwat report yesterday on the business market opening. That gives us a really rich data set, which we have only just started to dip into in terms of what the successes have been and where some of the challenges are.

Angela Smith: I am just thinking of the actual water data for the companies, so not that kind of data but the other kind of data.

Dr Catovsky: From our perspective, the report sets a clear agenda for Ofwat in terms of the regulatory powers that it has to regulate the market to make sure that we are seeing the benefits for customers in the end. From our perspective, Ofwat can do quite a lot. The industry can do quite a lot as well. We obviously want to make sure that Ofwat has the powers it needs to regulate the market effectively. We are not picking up any sense that it feels that it does not have the powers.

Q328 Angela Smith: There is this point about the wholesalers, of course. It is in the report that was published yesterday, and you have just said that the industry can do more. What can it do? What can wholesalers do?

Chair: How do we create more competition? There is no competition, is there?



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Angela Smith: There is obviously some issue around the way that wholesalers are co-operating with this process.

Dr Catovsky: My sense, from looking at the report and talking to Ofwat, is that they do want, in a sense, tougher incentives on wholesalers to improve their data quality. The first step would be league tables, so to be clear which companies are actually delivering all the improvements in data quality that we need to make the market work. Then you can potentially attract financial incentives to that as well, so that they will actually get penalised if they are not doing everything they need to do to make the market work. Those two together could get you quite far.

Q329 **Angela Smith:** There are obvious gains for, say, a large company like Sainsbury's that can package together all its sites and come up with one contract. That is clear. The evidence so far is that these are the companies that are benefitting. It is the smaller businesses that do not feel able to enter into this marketplace and take advantage of it. What are you going to do to remedy that?

Dr Coffey: I will not pretend otherwise to the Committee: I have not read Ofwat's report from yesterday. There are a variety of things going on. I am waiting for a summary of the different activity. One of my understandings from a brief discussion is that companies tend to only look at certain kinds of bills once a year. That kind of knowledge is not entirely out there. People have not necessarily got into looking into changing some of these things. That is one of the reasons that is often cited.

Q330 **Chair:** Sorry to interrupt you, Minister, but I think the issue is that it is only the big companies that will save. All you really save through this competition is the billing. The wholesale price of the water is exactly the same because that is set by the companies they buy the water off. It is only the big companies that can benefit because with the small companies there are only one or two bills to send out, so the saving is miniscule. That is the problem.

Dr Coffey: I was under the impression that people had been able to renegotiate their contracts by saying, "We are going to move to whoever", and that has led to some changes, but I do not pretend to have the level of detail yet.

Q331 **Chair:** Can you, in Defra, just look at it in a bit more depth? Your statement was, "I do not think they have saved much", and that is exactly the situation. We would like to see if more competition can be created and whether there can be more savings just to put a bit more pressure on each company.

Dr Catovsky: A simple thing from our perspective would be much greater price transparency so that it is easier for small businesses to understand the tariffs that are on offer and that they can switch more easily. As you say, it is easier for the large companies because they can invest a bit more time and effort in doing it. For us, the big message



would be that better price transparency would make the market work better.

Q332 **Angela Smith:** Absolutely. The other side of all this is a comment that we have had, particularly from environmental NGOs, that there is a real risk of fragmentation in the industry as a result of this competition and that this will really get in the way of integrated water management. What is the response to that?

Dr Coffey: I do not think there is any evidence that this has had any change or detriment.

Q333 **Angela Smith:** It is a bit early yet. Surely, though, over the long term there must be some calculation over what the impact of this may be on integrated water management.

Dr Coffey: We would not want to be introducing activities that could impact on the environment.

Angela Smith: Integrated water management. That is a different thing.

Dr Catovsky: Blueprint for Water made the comment about fragmentation. My sense was that it was more about the upstream elements of competition—so water trading and potentially bringing more water in. The retail element, in terms of who bills you and who does the meter reading, is probably unlikely to do too much environmental damage. However, in terms of where the water comes from, you potentially need to think about it in a wider context. It comes back to the discussion we were having about transfers of water between different areas because, actually, if you have a better transfer set of networks, you have more choice about where the water comes from. The example you were giving, Minister, about Hampshire and the south was about taking water from an area where there was less environmental damage. If you have a more integrated network, there is less chance of environmental damage because you have more options about where the water comes from.

Q334 **Angela Smith:** One of the surprising things about yesterday's report was the evidence—the slim evidence so far—that it has produced more efficient water use and yet, counterintuitively, one would imagine that cheaper water would lead to heavier water use. What potential lessons are there in what we have established so far about making sure we get that right? We cannot allow cheaper water to lead to the sense that people can use more and more of the stuff without having to worry about paying for it.

Dr Coffey: I am not sure I can particularly give a view on that, if you take the domestic experience, there is no suggestion to say that. When people are metered they tend to use less water, and it is cheaper for them. I am not entirely sure I understand.

Q335 **Angela Smith:** Are we saying then that where we have competition we



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should always do it on the basis of people having metered access to water to ensure that cheaper prices do not lead to greater consumption? Is this what we are saying?

Dr Catovsky: The water efficiency point is a really important one with the business market, and we specifically asked Ofwat to provide a view on what was happening in relation to water efficiency and the business market. One of the arguments is that, if you have more competition for retailers, they will potentially be offering you services to help businesses understand how they can save money by being more efficient. We have not seen much come through yet. We are interested in following that because one of the arguments is that, if you have competition for retail, it should drive a better market for water efficiency services, which is what we want to see in the longer run. That has not materialised and that is a little disappointing to date.

Q336 **Angela Smith:** If we were to ask you to come in front of the Committee in a year's time, Sebastian, you may be able to report on progress on making sure that we absolutely integrate greater efficiency in the competitive process.

Dr Catovsky: Yes. We are seeing some retailers come forward very much with an offer on water efficiency. The USP of companies like Waterscan is to come in and help businesses understand how they can save money primarily by saving water.

Chair: The water companies that have brought in more metering have found something like a 15% saving in the amount of water used, so there is not only a saving from the water company's point of view in the amount of water but there should be a saving for the consumer. All of these things are interconnected. I do not suppose you as Defra want to micromanage the water companies but, on the other hand, you need to give them a good steer, really.

Q337 **Angela Smith:** Exactly, Chair. Are there any incentives that can be offered to the new retailers to encourage them to offer those efficiency solutions to their customers?

Dr Coffey: I have not given that, to be candid, any consideration. We have seen some of the big companies actually get out of the business retail market, allowing new people to come in, in effect, and take that on with the greater innovation that is possibly there. It is early days.

Chair: If you would like to take that on board, Minister, and have a look at it, that would be useful.

Sandy Martin: Hello, Minister. I am sorry to have suddenly dropped in on you like this.

Chair: We are remaining quorate.

Dr Coffey: That is what is key.

Q338 **Sandy Martin:** We are remaining quorate, and that is what is important.



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In his speech in March, the Secretary of State talked about the financial and corporate behaviour of water companies, in particular in respect of the percentage of their profits that were spent in dividends and also in the remuneration of chief executives. However, those behaviours were both very similar since about 2007. What was it that prompted him to suddenly come up with this after many years when it had stayed the same?

Dr Coffey: I assume this is the first time that the Secretary of State had given it quite so much attention, becoming the Secretary of State for that particular Department. We have been quite clear through Michael following up on behalf of the Department and endorsing the changes that Ofwat is planning to bring in. It is not that we want to deter investment in this business—far from it. There is a recognition that more investment is required and sometimes tough language needs to be used. The companies are making progress on things like the Cayman Islands elements and getting rid of those structures and so on. They are certainly on board even if they were not quite as quick as we would have liked them to have been.

Q339 **Sandy Martin:** Can I ask you about Cayman Islands structures mentioned in writing by Defra? What exactly does that mean in practice? Does it mean that all offshore investments in low-tax areas are going to be changed?

Dr Coffey: That is my understanding by the end of the year.

Dr Catovsky: We have been told specifically about the Cayman Island holdings that they have. They were clear, even before they got rid of them, that they were UK-domiciled for tax purposes so it was not conferring a tax advantage, but they recognise that, actually, it was not a popular decision to have those structures and so the four big companies have committed to removing them.

Q340 **Sandy Martin:** They are not going to remove them to Bermuda or to the British Virgin Islands or the Bahamas. They are actually going to move them to this country.

Dr Catovsky: Yes.

Q341 **Sandy Martin:** To what extent, Minister, do you believe that the consumers are actually bothered by water companies' financial operations?

Dr Coffey: It is interesting you say that. The studies from the Consumer Council for Water suggest that over 90% of people are happy with their water companies and sewerage service. About three-quarters think they get value for money. Of course, there are some challenges regarding some vulnerable people, and that is why I am pleased that the secondary legislation has gone through, which will allow water companies to start to access more data to help vulnerable people with their bills. That is something that we managed to get in the Digital Economy Act that got passed last year. I am sure, as ever, there is more to do but overall it is



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our job to keep the pressure on water companies—they are still monopolies—and that is why we have Ofwat, the independent regulator. Their job is to manage and effectively treat it as if there were a market, and that is why there are still price controls and so on.

Sandy Martin: Can I follow up on a question that I actually asked Ofwat this morning? Are you satisfied that the current major players in the UK water market are actually engaged in a water market and not in a financial transactions market? There certainly have been situations, especially with the outsourced or semi-private economy of this country—care homes are a very good example—where some players have basically been in it for financial takings that they can get without having any expertise, with shell companies and various other things like that.

Chair: Sandy, just try to stick with water companies.

Q342 **Sandy Martin:** Are you satisfied that the ownership of the water companies in this country at the moment is actually ownership by people who want to deliver water rather than excess profits?

Dr Coffey: I think just two of the water companies are publicly listed, from memory.

Dr Catovsky: Three.

Dr Coffey: It is three, apologies. The majority are private. I understand a lot of the concerns about the financial gearing and different elements around that, but I have seen positive indications from the water companies that they are—dare I say it?—getting with the programme. Understandably, they will have to comply with the rules that Ofwat have done.

We are seeing things. Anglian is going to reduce its dividends, allowing for more investments. You and I share Anglian Water, and I cannot say I have come across people saying, “Those Anglian Water people are awful”. Actually, you see quite a lot of positivity about them and they are investing in different parts around the area. Anglian, in particular, is doing a lot with the farmers and other elements in terms of its water management plan, recognising the problems that we have.

Sandy Martin: I certainly agree with that but people do not actually see the owners, do they? They see the people doing the work—people have a great deal of respect for the people doing the work, but that does not necessarily mean that the owners of the companies are the best possible owners.

Q343 **Chair:** Coupled with Sandy’s question, take Thames Water. The new chief executive has decided not to pay dividends to the shareholders and to actually put more investment back into infrastructure. That is what should have been done years ago, to be honest with you. What we are really interested in, further from this morning, is: are we really going to put the thumbscrews on the water companies so that they do not just



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pay their shareholders big dividends and their chief executives big money? It is essential to bring all these things into check, because otherwise it is the billpayer that pays for it and yet they have very little control, especially in a public quoted company. It is the shareholders that need to control the chief executive's salary, and the chief executive can decide to pay the shareholders plenty of dividends. They are all going to be in one big happy family and it is going to be the consumer that is going to pay for it.

Dr Coffey: That is why we have price controls.

Q344 **Chair:** Price controls do not stop companies paying dividends to shareholders.

Dr Coffey: No, I realise that but, as I say, we have seen responses from companies. You point out Thames. The chief executive there has made a very sensible approach. He is still in line for a big bonus if he achieves everything but there is that element of how private investment can work. Then you have other companies like United Utilities that do not just deal with water, of course; they deal with other matters as well.

Q345 **Chair:** The point is, Minister, that, if companies do not behave well—it is good that the Secretary of State talks about it and that helps, but do you have any teeth to make them act in the proper way if necessary?

Dr Coffey: I believe Ofwat is stepping up to the plate.

Q346 **Angela Smith:** How can you be sure that Ofwat will continue to do that? What are Government prepared to do to make sure that Ofwat sticks to its guns in the long term?

Dr Coffey: I have no hesitation in thinking that that Ofwat will stick to its guns.

Q347 **Chair:** We will leave that one there. What is the Government's per capita consumption—PCC—target for the next 25 years? This is very important because this goes back to abstraction, the use of water, efficiency and everything. Where are we on that?

Dr Catovsky: The 25-year plan committed to publishing a target. We have not published it yet. We would like to publish it this autumn and we wanted to take some time to work with the industry and with Ofwat and the EA to do some analysis, and obviously also look at the NIC recommendations and see what they recommend. We would like to set an ambitious target. At the moment, per capita consumption is 140 litres per person per day. It is high relative to other countries, and it would be very good if it came down.

Dr Coffey: I do not have figures to hand but it does vary drastically around different parts of the country.

Q348 **Chair:** The second part of my question is about whether water efficiency labelling should be mandatory on appliances. I have made this point in the past in the Committee. The new loos use a hell of a lot less water



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than the old ones used to use, so all the time we are improving the amount of water that a lot of our appliances use. Should this be mandatory labelling and how do we put more pressure to make sure that appliances—be they washing machines or whatever—actually use less water? What are you doing about that?

Dr Coffey: I know that policy has been suggested to the Secretary of State and he was interested in it. There are other ways that people are using water in a way that was not anticipated. If you recall a decade or two ago, everybody was encouraged to get out of baths and get into showers. Apparently what has happened is that people are now spending longer in the showers than the recommended four minutes maximum and are using more water showering than they would in a bath. The same is true of power showers and all those sorts of things. There is more we could do on some of those activities.

Chair: You have these huge headed showers now as well, which probably use an awful lot of water as well, I suspect.

Dr Coffey: People are certainly spending longer in the shower.

Chair: We will time them in the shower, will we?

Dr Coffey: There are shower timers to encourage people.

Q349 **Chair:** Does the water go off automatically?

Dr Coffey: I do not know if it does that but it is just a little reminder.

Chair: You could have a division bell in the middle, I suppose, and say your time is up. It is quite a serious point, really, about the time people are taking in the shower.

Dr Coffey: Absolutely.

Dr Catovsky: Just following up on the work on the target, there are two things we want to do. One is to set out what an ambitious target will be for the next 25 years and the other is, in parallel, to look at what the policy interventions are that we would need to do that. In a sense, everyone has their own pet topic that they think would deliver the greatest water efficiency. We want to look at all the different suggestions from metering to labelling to supply pipes to awareness and make sure we are putting our effort in the place that delivers the greatest change.

Q350 **Chair:** Fashions change, and all the things we do and how we shower and what sort of appliances we have change, and so it is important that these particular appliances—whatever they might be in the future—have some regard to the amount of water they use. I do not know if that is in place at the moment.

Dr Catovsky: There is a voluntary water label.

Chair: Yes, but again, that needs to be tightened.



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Dr Catovsky: I suppose there are two questions: one is whether it should be mandatory, and the second is how they should be integrated with energy efficiency labelling, because a lot of products use energy and water together. By saving water, you can also save energy. Most consumers would probably just want a single thing that told them how much money they would save.

Chair: Certainly with a washing machine you would get that.

Dr Catovsky: Boilers as well. Even showers that use hot water.

Q351 **Angela Smith:** On this, at the end of the day, how long people spend in the shower may be relevant but it is far more important that we intervene at policy level on the big issues. In particular, the building of new homes gives us a fantastic opportunity to set the agenda on this. You know the Water Group has the report, *Bricks and Water*, which recommends reform of building regulations so that we can actually embed the principle of water labelling and water efficient building of new homes into our infrastructure. Is Defra thinking broadly along those lines? That is where we can make a real difference, not time in the shower.

Dr Coffey: There have been a number of suggestions about water technology. Showers are actually a big use so, frankly, every little bit helps in trying to reduce the consumption of water.

Q352 **Angela Smith:** On big issues around building new homes and making sure we are getting the right standards, surely Defra and you, Minister, can see the case for reforming the building regulations to get this right.

Dr Coffey: I have not had a chance to see your report so I do not think I can comment on it. If we can do more within buildings to try to encourage people to use less water, then that is a sensible way of trying to protect resources.

Dr Catovsky: One of the interesting things is that local authorities do have a degree of discretion over the target that they set for building for water efficiency. In most homes, it is 125 litres per person per day but, in areas of water stress, local authorities can apply a tighter standard, up to 110. I do not know how many local authorities are going for that higher standard but, as a first step, it would be good to look at what, in a sense, is stopping them from doing that.

Angela Smith: Exactly. Building regulations might be part of that.

Dr Catovsky: They can do that through the building regulations. They can effectively decide to set that higher standard.

Q353 **Angela Smith:** It will probably need Government to tighten up the regulations and make them more applicable rather than giving the discretion. That is my guess. The point is that the research and innovation in this field is moving quickly. We already know that we can do a great deal with water efficiency around appliances and the building



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of new homes. The research and innovation is even going further than that and looking at rainwater harvesting and grey water use. There are a lot of problems with that at the moment but we have not even got on to the first steps yet. Surely, Minister, we have to start taking this more seriously.

Dr Coffey: The last discussion I remember having about grey water usage is a strong pushback from developers and consumers who said that they do not like it.

Q354 **Angela Smith:** I have just made the point that there are problems with that, but I am confident that it will, in the end, become feasible as an option. However, we have not even got on to the first step in terms of making sure that all these new homes that are being pushed through the planning system and being built are built to the highest possible water efficiency standard. Surely that is a top priority for the Department. Surely for you as a Minister that has to be a top priority.

Dr Coffey: It is important but, as Sebastian has pointed out, there are powers already there for councils to use.

Q355 **Angela Smith:** It is discretionary, Minister. Surely you, as a Minister, have to send out a very clear signal by working with communities and local government to make sure that local authorities are expected to do it and have to do it, not that they can if they want to. It is imperative that they do it.

Dr Coffey: I hear what you say.

Q356 **Sandy Martin:** On that very specific point, the most powerful thing would be to have it in the building regulations. Having been on a planning committee in a local authority, many times councillors almost unanimously say, "We want this", and the applicant's response is, "We are not going to do it and, if you try to make us, we will go to appeal." Unless something is in the building regulations, it is very unlikely to actually happen.

Dr Coffey: As Sebastian pointed out, there are powers of council. This happens quite a lot between central and local government. Councils actually have a lot of powers that they do not use in a variety of issues in Defra.

Q357 **Angela Smith:** If local authorities are doing it and are being lazy about it, which is what you are saying, Minister, then surely it is for you as a Minister to make sure that local authorities are required to do this.

Dr Coffey: I am not accusing the councils of being lazy. The point is that they have the powers. They have the powers on a number of things. They have powers on air quality. They have powers on all sorts of things.

Angela Smith: It is discretionary, Minister.

Q358 **Chair:** You can send out guidance, can you not? You can send out ministerial guidance and policy guidance, especially on planning.



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Government do that all the time. I know that local authorities do not always take notice of it but at the very least I would have thought that we could have that, could we not?

Angela Smith: It is really not good enough to say it is down to local authorities.

Dr Coffey: I have heard what you said.

Q359 **Chair:** We will have to leave it there, sadly. Finally, in the effort to increase water efficiency, we have been talking about appliances. What should come first: metering or behavioural change? We have talked quite a bit about behavioural change but metering is also very important. Linked into that, should the Government amend regulation to enable compulsory metering beyond water-stressed areas?

I feel quite strongly about this, because people who have their water metered know exactly how much they are using, so they can alter the amount they use. Also, they know what it is costing and they can save money as well. Very large families with poor incomes can be supported through social tariffs. There is a real argument to bring in much more metering. Across the country, we are only at something like 50% in total, whereas some companies are up to 80% or 90% in water-stressed areas. Where are we? Are we fudging the metering? Where are you, Minister?

Dr Coffey: Metering brings about behavioural change—I am not going to pretend otherwise—but it is not the only way to make that happen. The NIC has referred to this, in terms of extending it beyond just the water-stressed areas. The advantage, which a lot of people do not realise, is that people can try metering, in effect, and, if their pricing does not work for them, they can always go back.

Some of the technical challenges are with buildings, given that this is actually quite difficult to do with apartments and flats. More broadly, that is part of the political journey I was referring to earlier in the session.

Q360 **Chair:** So we might well see something on metering in the autumn. Can I lead you into that place?

Dr Coffey: I cannot give that commitment but I have a water meter myself and I proactively encourage it. There is a lot to be said of the benefits, actually. Most people will save money by switching to a meter.

Q361 **Dr Johnson:** I just have a question on the metering. Some areas, we heard, do provide compulsory metering for people when there is a change of household owner or a change of tenant. Do you think that that should be universal across all areas as a way of speeding up the transition from people having no meter to people having a meter? In order to increase the number of people who have metered homes, should it be compulsory all over the country where there is a change of occupier—whether that be a tenant or an owner-occupier—for a meter to be installed?



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Dr Coffey: I thought it was a change of owner where it gave the opportunity for water companies to do that. I did not realise it took in change of tenant as well.

Q362 **Dr Johnson:** A lot of houses are rented. As the Chairman says, if you are in a house that is metered and you look next door and watch your neighbour with the sprinklers on and nice green grass and they are washing their cars and you are thinking, "That would be incredibly expensive for me to do that", and they do not have to pay for that because they are getting their water for much less money, there is an intrinsic unfairness between those two scenarios if some people are metered and some are not.

Dr Coffey: The powers that exist there are being used extensively by companies, and I can assure you, again, that I get a lot of complaints from constituents via MPs about this. It is something that we strongly support and we will continue to back those companies—such as Affinity and others—that are really pushing it.

Dr Catovsky: Anglian Water is a very good example. It does not have compulsory metering but, particularly by using change of occupancy, it is now at 70% metering. That is without compulsory metering, so it does show the power of your suggestion. It can work quite well.

Q363 **Dr Johnson:** Why could it not work with tenants where landlords would be required to inform the water company if their tenant left?

Dr Coffey: I was not aware of that part of the law.

Dr Johnson: I am not saying it is law. I am asking if you think it should be law.

Dr Coffey: Oh, I see.

Chair: Caroline is making the point that, if there is a change of tenant or a change of ownership, is it then possible to have water metering. Is that your point?

Q364 **Dr Johnson:** Essentially, should it be extended to properties that are rented? That is quite a number of properties that are otherwise being missed out.

Dr Catovsky: We should check on this because my understanding is that water companies can do it.

Dr Coffey: We will check and get back to you.

Q365 **Dr Johnson:** If they can, why do they not?

Dr Catovsky: Let us check and find out.

Q366 **Dr Johnson:** You said that their bills are likely to fall if people get a meter. Does that mean that there is a counterincentive?

Chair: It depends on how much water they use.



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Q367 **Dr Johnson:** That is right, but you are saying that most people's bills will reduce, so on average, when a water company adds a meter, it loses revenue. Is that right? It is not much of an incentive to roll it out.

Dr Coffey: I thought the logic had often been that the people who do not have meters end up paying more. This has been one of the political reasons for not trying to force metering everywhere.

Q368 **Chair:** It certainly should change people's behaviour, you see, if they have to pay for the actual water they use. The point that Caroline makes is that, if you can wash your car and water your lawn and it is not metered, you are going to do so; you may be more careful if you happen to be metered. I think, Caroline, the Minister does not have the answer to your question.

Dr Coffey: That is making a big assertion about how people behave, whether they have a meter or not, in terms of whether they wash their car or not.

Q369 **Dr Johnson:** If we put in metering for some households, particularly a small household with a low household income but with a large number of people living in the house—large families—they are most likely to see an increase in their bills if they moved from a standard supply on to a metered supply. It has been suggested that such families should have a different tariff for a different cost of their water supply. I wondered what you thought about the idea of water being provided at different costs to different people. Do you think that is a good idea? How do you think the person on the income just above that threshold might feel about it?

Dr Coffey: There are social tariffs today that already exist. This example that often gets used is one of the big barriers to more metering happening, because it builds up a story that people who have more than three children will all of a sudden pay a lot more money on water. It is not necessarily true but it is one of these—

Chair: Myths.

Dr Coffey: Yes, it is one of these stories that has got traction. It may be true in certain cases but it is not really. The social tariffs regime that we have would probably be sufficient to manage this. That is why I support the scheme where, if you switch to metering and you do end up paying more, even if you are not part of the social tariff, you can actually change your mind and go back. I would love to see more people taking advantage of that.

Chair: We have covered quite a lot on meters. I know that South West Water has quite a good social tariff for picking up on people who are struggling with their water bills.

Dr Catovsky: Can I come back on the previous point? The change of occupancy does cover rental properties. It is up to each company to decide how they do it.



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Chair: Right. We have finished because we have got to the vote. The bell has just gone. We got there. Well done. Thank you very much, Dr Catovsky, and thank you very much, Minister. Welcome back to being in harness. We look forward to this statement in the autumn and we will analyse it again after we have published our report. Thank you very much.