



Defend Scotland's Water!

A Briefing from UNISON Scotland

The sharks are circling again around Scotland's greatest asset - our water.

The usual vested interests are using the economic downturn and the impact on public finances to yet again make the case for water privatisation and mutualisation. In this briefing we make the case for a publicly owned Scottish Water.

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March 2010

Scottish Water

Scottish Water is a public corporation that delivers a publicly owned water and sewerage service to the people of Scotland. It's a model that UNISON believes has served Scotland well, delivering clean fresh Scottish water to homes and businesses



Scottish Water
Always serving Scotland

and removing sewage along some 60,000 miles of pipes. It is a massive undertaking with huge challenges that do not exist elsewhere in the UK. Our long coastline and geography requires

1900 waste sewage plants and 319 water treatment works.

Scottish Water has delivered a massive programme to update our aging infrastructure and reduced operating costs by more than £1bn. As a consequence the average Scottish water bill will remain lower than the average bill in England and Wales.

International context

There is a global water crisis with more than 2 million people a year dying from diseases associated with poor water and sanitary conditions - 90% of those are children under the age of 5. It is also causing diplomatic and military tensions.

Serageldin's famous 1995 prediction "if the wars of this century were fought over oil, the wars of the next century will be fought over water" is becoming a reality in areas as diverse as the Middle East, the Indian sub-continent and South America.



Global crisis: Millions suffer from water poverty

This crisis is exacerbated by attempts to commodify and privatise water services. The good news is that communities are fighting back with commercial contracts being cancelled across the world. Even in Europe local councils are taking water back into public ownership.

Scottish Water is an attractive privatisation target with its plentiful supply, expertise, improving infrastructure and crucially low debt. If it was privatised it would immediately be a takeover target by one of the big overseas water multinationals to exploit what is probably Scotland's greatest asset.

The drift towards privatisation

The restructuring of Scottish Water has resulted in an incremental drift towards privatisation. Firstly, through hugely expensive PFI schemes that even the pro-privatisation Water Industry Commission (WIC) has criticised as being poor value for money. This has been followed by a broader PPP scheme, Scottish Water Solutions and the extensive contractorisation of Scottish Water.

The regulatory structure seeks to replicate the privatised industry in England and Wales with a WIC committed to market principles that are simply not appropriate for a public service undertaking. Whatever they might claim, there is no effective way of creating real competition in a monopoly industry. The regulatory structure in England and Scotland has also done little to address the growing problem of water poverty.

Costs of privatisation

Privatisation would result in a loss of accountability as Ministers pass the buck to a private water company that would have a legal duty to maximise share holder value at the expense of the public. The charge payer would be forced to pay for the higher costs of borrowing, billing systems etc. in addition to the cost of dividends and the fat cat salaries of Directors. The corporate financiers, consultants, regulators and others will all gain at the charge payers' expense.



Public investment: Scottish Water workers have delivered a massive programme to update infrastructure and reduce costs

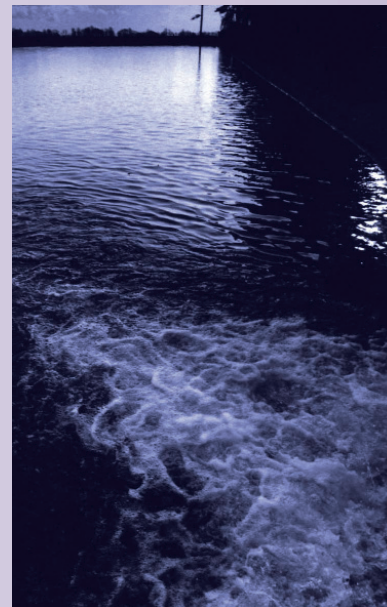
A key element is marking down the value of Scottish Water's assets, paid for by the taxpayer, to a price the banks would be willing to pay. Valuing Scottish Water is very difficult. However, when Scottish Water was created the assets were valued at £15bn. When privatisation was last pushed the value had miraculously fallen to £5bn. Now a figure of £1bn is being discussed. "Selling off the family silver" doesn't begin to describe this process!

What about mutualisation?

Mutualisation is the Trojan horse for privatisation. It sounds cuddly and safe - just a wee co-operative. Not a bit of it. In the capital intensive water industry any mutual body would in effect be controlled by the financial institutions. They would insist that to minimise risk to their money, services and jobs would be transferred to English and European private water companies. This is what happens at the only UK mutual model, Welsh Water. If there was a viable co-operative model we would welcome it. A mutual shell over a privatised industry is not a co-operative solution.

So who is lobbying for privatisation/mutualisation?

The usual vested interests are circling around the guaranteed profits that a privatised industry would bring at the expense of consumers. The CBI, pro-market think tanks and the right wing press. Then we have the WIC whose Chief Executive is on the record as advocating this change along with his Chair who is a former privatisation advisor to Margaret Thatcher. Even the Scottish Water Board might look favourably on an option that whacked up their salaries in line with their privatised counterparts and without the public scrutiny that comes with public sector status!



Defend Scottish Water: If privatised or mutualised, our greatest asset would become a target for multinationals

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Bankers and consultants

The new kid on the privatisation/mutualisation block is the Scottish Futures Trust (SFT), led by Sir Angus Grossart. Sir Angus is one of those bankers who got us into the current financial mess. He used to be at the Royal Bank of Scotland who together with HBOS regularly argued for the privatisation of Scotland's public services. The irony that they have had to be bailed out by the public sector is obviously lost on him. The SFT has apparently employed the consultants KPMG to make the case for privatisation/mutualisation. KPMG make a tidy living out of the Scottish public purse already and can no doubt see big fees to be made from privatisation/mutualisation.

The way ahead

Fortunately the public service model still enjoys widespread public and political support in Scotland including Scottish Labour, Scottish Greens, the SNP and others. There is a growing understanding that not only is water and sewerage an essential public service, but that given the global water crisis, it is one of Scotland's greatest assets.

This does not mean that we should cling to the status quo. The water trades unions have published a paper 'It's Scotland's Water' that highlights other public service models that demonstrate that a more democratic structure can deliver a more efficient, socially responsible and more accountable public water service. There is a developing worldwide Water Network with the aim to strengthen the resistance against privatisation and commercialisation of water.



The common theme is to develop more democratic forms of ownership that ensure there is a focus on the issues that matter to the public like leaks, repairs and water quality. Not creating an artificial market that concentrates on profit rather than service.

UNISON Scotland believes that we can save Scotland's water from privatisation/mutualisation by turning away from the market model and moving towards democratisation.
Defend Scotland's water - it's not for sale!



Annual report: In public hands Scottish Water is subject to public scrutiny

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