



# **Building a Hydro Nation**

**UNISON Scotland response to the Scottish Government  
consultation paper – Building a Hydro Nation.**

**March 2011**

## **UNISON Scotland**

### **Building a Hydro Nation: consultation response**

#### **Introduction**

UNISON is Scotland's largest trade union with 165,000 members. UNISON is also the largest trade union in the Scottish utilities representing workers in water, electricity and gas generation, networks and supply sectors. Our members also work in local government functions, such as planning that have an important role in this sector and the issues covered by this consultation.

UNISON Scotland welcomes the opportunity to respond to this consultation.

#### **Context and Principles**

UNISON Scotland supports most of the principles and values set out in this consultation paper. In particular that ownership is not a consultation issue and that "Scotland's public water supply should never be privatised."

We also welcome the international context for this consultation. However, we believe more could be said about reclaiming water and Scotland's role in leading the growing fight back against the commoditisation of water. This has been particularly strong in the developing world and more recently in Europe, including Germany and France. There is a growing realisation that water privatisation is the wrong approach. Even the EU is now promoting Public Public Partnerships in this field and Scottish Water could play a useful role in this development context.

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.

We are less convinced that Scottish Water as presently configured should have "a leadership role" in developing the hydro nation. We also question how committed the Board is to the public ownership model given the constant attempts to mirror the private sector. For example, continuing to wrongly describe Scottish Water as 'the company' not what it is, a public corporation. Not unreasonably its focus is on managing the utility functions and that is reflected in the current board membership and structure. We therefore address later in this response an appropriate governance model for the wider remit.

We would strongly question the assumption that savings and performance improvement at Scottish Water are "as a result of the merger". Whilst Scottish water is undoubtedly a public sector success story, there are growing concerns over aspects of the management model including the role of contractors, together with safe and effective working methods.

UNISON has frequently challenged the view restated in this paper that the role of economic regulation is “essential”. Again we will develop this point below.

### **Developing Scottish Water**

UNISON Scotland is not convinced about the benefits of private partnerships and these can undermine the ethos of a public water service. We regard many of these arrangements as backdoor privatisation of our water.

Experience with the costly water PFI schemes demonstrates that this is a flawed approach, not only in terms of cost, but also in failing to develop expertise in Scotland. Cost is probably the only reason for not bringing PFI schemes back into Scottish Water. There have been major compliance issues at most schemes. Some £600m of capital investment has cost the taxpayer more than £4m. We should learn from past mistakes, not replicate them with a new generation of private partnerships.

We welcome the proposed energy role particularly wind, hydro and sewage although we are less convinced about offshore wind. We would stress the importance of building in-house capacity, not simply ‘partnerships’ with mainly overseas companies.

The sharing of Scottish Water’s expertise is welcome, but again this is undermined if we don’t develop a genuine public service. We support the legislative changes proposed in the paper and the s41 limitations should go as it drives a short term outlook and a simple utility only approach.

### **Additional functions**

UNISON Scotland supports the international development role as part of building world wide network of public water providers. Equally we support R&D plans and Scottish Centre of Expertise modelled on the Stockholm Institute.

We accept the logic that canals (British Waterways Scotland) should be included in the new governance structure as set out below. Our main concern is that this function is being undermined by budget cuts. BWS makes a significant contribution to the Scottish economy and this should not be undermined by a short term response to the financial environment. BWS can make a significant contribution to several aspects of the Hydro Nation agenda including flood risk mitigation, drainage, research and international development. However, the core functions around maintaining navigation on our waterways must be protected.

We would be sceptical about including flood risk management and surface flooding responsibilities within the new governance structures without much more detail around the financial consequences.

## **Finance**

UNISON Scotland has concerns over limitations in the financial provisions in the Scotland Bill and these are reflected in our evidence to the Bill committee. In particular over bonds that could be very suitable for Scottish Water and therefore we welcome the Committee's recommendations on this point.

We agree with approach to re-investing surplus although we believe the Scottish Government should reflect on the analysis prepared by Jim and Margaret Cuthbert on the regulatory capital approach.

We are not convinced of the case for funding flood defence work from water charges. There needs to be more emphasis on planning gain as much of the problem comes from building houses in flood risk areas.

UNISON Scotland is concerned about the references to borrowing that does not count against Scottish Government expenditure. There is an extensive lobby pressing for privatisation through the concept of mutualisation and a public interest company. The Trojan horse for privatisation is mutualisation. 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.

## **Governance**

UNISON Scotland would question if Scottish Water as presently constituted should be at the heart of the governance structure. We believe there is a strong case for a Water Agency under closer democratic control to have the overview role with Scottish Water focussing on the utility role.

Under this structure the regulatory role of the WIC could be abolished with a considerable saving. The WIC has consistently been opposed to the vision set out in this paper and has actively lobbied for privatisation. This approach would also abolish the role of the Competition Commission and liberate its function back to Scotland.

We would also question the value of retail competition in the non-domestic sector. There has been little real competition and the valuable water management role of Business Stream can continue to be delivered without so called competition.

## **Wider Context**

UNISON Scotland broadly supports the vision in this paper. How the 'wet nation' concept might be developed commercially is as yet unclear, but it is right to see the opportunity and develop it. We recognise that the last big vision was probably Tom Johnston and hydro. That was achieved by a politician with the vision and the powers to deliver. That is a better model than a mixture of private partnerships and pseudo commercial models.

## **Conclusion**

UNISON Scotland welcomes this consultation and the vision of an expanding role for Scottish Water. The public service model still enjoys widespread public and political support in Scotland. 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. It is in this context that we believe that a new governance model is needed to take forward this vision for Scotland's water. Scottish Water is a big part of that structure, but it should not be running it.

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. Scotland should be a world leader in that network.

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