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England's privatised water: profits over people and planet

Drought in the UK reinforces the case for renationalisation of water utilities, which would better support the right to water and to a healthy environment, argue Kent Buse and Kate Bayliss

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There is little doubt that Margaret Thatcher, former UK prime minister, left an indelible and longlasting mark on the UK. She is remembered as much for her efforts to crush the labour unions as for her drive to deregulate and privatise the economy. Having initially starved England and Wales' regional state owned water and sewerage utilities of much needed public investment to upgrade the infrastructure, her government privatised these in 1989.

For the previous century, water had been treated not as a commodity but as a prerequisite for public health. This is, after all, the country in which John Snow traced the origins of a deadly cholera outbreak in 1850s London to a single water pump in Soho by using ground breaking research that linked the disease to unsanitary water. Only a few decades later, self-made businessman turned politician Joseph Chamberlain argued in relation to control over water and sewerage that, "It is difficult, if not impossible, to combine the citizens' rights and interests and the private enterprise's interests, because the private enterprise aims at its natural and justified objective, the biggest possible profit."[1] Chamberlain has been proven correct—with tragic consequences.

When Thatcher transferred ownership of the 10 public water utilities to the private sector, she wrote off their existing debts and threw in some seed money as well. Over the ensuing three decades, the experiment has worked well for investors, but has been disastrous for consumers and the environment.

Most water companies are now owned by private equity investors who have used financial engineering to boost shareholder returns via complex corporate structures that often involve tax havens.[2] The companies have borrowed heavily—it is reported that current debt levels are in the order of £56bn for the nine companies in England.[3] Interest payments (£1.3bn in 2019)[4] are passed on to consumers. Meanwhile, £72bn in dividends have been paid to shareholders of parent companies since privatisation.[5] This reportedly amounts to nearly half the sum those companies spent on maintaining and improving the country's pipes and treatment plants between 1991 and 2019.[6] The companies pay little tax and the remuneration of the bosses of English firms has raised eyebrows—amounting to £58m in pay and benefits over the past five years.[7] Directors' pay dividends and debt service are all financed by bill payers, many of whom face considerable hardship. By 2020 the price of water had risen by 40% in real terms since privatisation and almost a quarter of households had difficulty paying their water bills.[8] The current cost-of-living crisis is expected to put further strain on households, with an Ofwat survey in May 2022 indicating that half of water bill payers expect to struggle to pay a utility bill in the coming year.[9]

Although some investment has gone into maintaining infrastructure, no new water reservoirs have been built in England during the privatised era. It is reported that some land held by the companies has instead been used for house building, and only one new reservoir is under construction—it is planned to be in operation by 2029.[10] Underinvestment in infrastructure comes at a cost. In 2020 it was reported that more than three billion litres, a fifth of the volume used, were lost to leakage every day, and the figure has not improved over the previous 20 years.[11] Investment in sewerage has declined such that only 14% of English rivers meet good ecological status, raising major concerns about public health.[12] In 2021, the environmental performance of England's nine water and sewerage companies was the worst for years, leading the Environmental Agency to call for prison sentences for chief executives of companies responsible for serious incidents.[13]

In August 2022, the Environment Agency declared drought status in eight of the 14 areas of England,[14] with hosepipe bans in force in some areas. Taps have run dry for thousands of households across the country and emergency water is being distributed. Extreme weather events and a particularly dry and hot summer have contributed to this, but arguably if the amount of money paid out in dividends had been invested in infrastructure instead, the impact of dry conditions would be less harsh for consumers.

Water companies (rightly) urge consumers to use less water—yet given their own record, this amounts to little more than using the standard corporate playbook of shifting responsibility to users. Meanwhile, the systemic features that underpin embedded inequality and investment failures are not considered. Consumers are called upon to act in the public interest, while the private equity owners operate in the interests of shareholders. Thirty three years of private ownership have shown that regulation is not capable of steering the private sector to operate in the social interest. Given the threats of climate change and public health, public ownership has to be the way forward.

In most of the world water is publicly owned. The Scottish system has remained under public ownership and Scottish Water has invested nearly 35% more per household in the system since 2002 than counterparts south of the border, while it charges 14% less for water.[15] It is reported that the highest paid director of Scottish Water took home less than £400 000 in pay and benefits in 2021—a fraction of what his English counterparts receive.

Access to clean drinking water and sanitation was recognised as a human right in 2010.[16] And just last year, the right to a healthy environment was agreed at the United Nations.[17] The realisation of both rights is critical to health and wellbeing. The Commission on Social Determinants of Health includes water and sanitation among basic needs for healthy living, and reinforces "the primary role of the state in their universal provision."

People are taking action. Here in the UK, the campaign group We Own It has developed a "People's plan for water" to ensure water is run for people, not profit.[18] Elsewhere, a trend for "re-municipalising" water has seen private water concessions not being renewed, so as to bring water under public ownership. It is reported that 100 million people across 37 countries now benefit from water as a public good, rather than a private commodity.[19]

Thatcher's crusade to privatise public services has proven itself ineffective and inefficient in the sustainable management of water. The current drought in the UK is unlikely to be the last, given the increasing incidence of extreme climate events. It should serve as a wakeup call for the health community to join with the water access movement in calling for renationalisation of water and sewerage infrastructure as a key governmental lever of health security and planetary health. Such a move would further enable the government to meet its obligations to respect, protect, and fulfil the human right to water and sanitation, as well as the newly recognised right to a healthy environment. After all, water is life.

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