

## You can have competition in water

There is competition in water provision for businesses in our system. The householder cannot switch suppliers so most of us have to get our water from a regulated monopoly. These companies are now under the spotlight as there is an overall shortage of stored water for a dry spell so far this year. There are also too many sewage discharges into our rivers.

The nation should also be alarmed that we are constrained from doing things that need access to more water. Farmers are discouraged from irrigating more food crops, and are prevented from extracting sufficient water from rivers when flows are low for obvious reasons. The water companies have not done enough to help them find access to safe water in dry periods. Some industrial activities also need plenty of water, and the generation of power from water needs ample supply.

The competition allowed in business water provision allows choice of retailer who provides the customer interface, sends the bill and deals with issues. The retailer, however usually has to buy the water and the waste water services from the local monopolist, so the impact of choice is limited.

The simplest model to bring more effective water competition to the many is to allow any water company to supply to any consumer using the existing pipe network as a common carrier. This will reduce the amount of regulated monopoly considerably and will allow new entrants to invest in new storage or borehole water they can provide in addition to current amounts. The pipe network will need rules on quality of water put in and on access rights to pipes given their capacities. The existing rules on water quality should suffice and are already being enforced. Where a monopoly pipe is already being used by the monopolist at full capacity then there will need to be a new pipe anyway and that might then be put in by a competitor if the monopolist refuses to make more pipe capacity available. Over time we might see new capacity to the pipe system added by new owners, or arranged by the current pipe monopolists accepting a regulated return on its use.

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## Competition is the customers' friend

All monopolies conspire against their users. State owned ones also conspire against the taxpayers that own them. As some used to say "We do not own the nationalised industries, they own us". Any loss or outrage they commit means we have to take the blame and pay the bill.

Monopolies are usually created by law and regulation. Some are said to be natural, but it is difficult to find many of these in large scale provision of goods and services. Of course the owners of the Taj Mahal or the Tower of

London have a monopoly of their visitor attraction. The suppliers of water or of electricity or of rail travel need have no such monopoly. In each case it is possible to allow or encourage competition.

State and private monopolies have a tendency to avoid innovation, not wanting to undermine their own way of doing things. They have a tendency to cost plus, allowing their cost base to expand in the knowledge they can pass the costs on to the consumer. They may keep supply tight by not investing in sufficient additional capacity to provide an excuse for high prices and poor service.

State monopolies are particularly good at blaming customers for wanting too much and expecting too good a service. The shortage of roadspace for a growing population in the UK leads to constant demands that we travel less, not to more provision. The shortage of capacity to turn round passport and driving licence applications leads to delays in receipt. Many Councils keep parking dear and scarce to put people off visiting their town centres.

Highly regulated monopolies in the UK are also good at rationing and blaming customers. The water companies, far from wanting to meet expanding demand with more supply, impose limited use bans and try to educate us into using less water. The railways are not good at meeting peak demands with enough trains with enough seats, though the decline in daily commuting has eased this tension somewhat. Big popular events often remain badly served by public transport. The electricity system often needs imports to keep the lights on as it is run with insufficient domestic capacity. Customers are told to cut their use and to switch their use to different times and night and day.

In some pieces to follow I will look at what scope there is to increase competition in regulated monopolies where customers pay for the service and what this might achieve in terms of more capacity, better service and lower prices.

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## Yesterday's meeting on energy

The proper topics of conversation were availability of supplies and prices. Gordon Brown's attempt to hijack the agenda with a proposed nationalisation of parts of the energy industry was bizarre. His own purchase of RBS shares during the banking crisis at an elevated price bailed out shareholders and left the taxpayer nursing large losses. It was not the right answer to a disaster in the banking sector and over the regulation of banks which he made worse. The last thing taxpayers need now is the requirement to find billions of pounds to acquire shares in energy companies, with a view to then running them at a large loss to keep the prices down.

The answer to scarce and dear energy has to be the supply of more and cheaper

energy. That requires plenty of private sector investment, and sensible regulation where there are monopoly elements. If the only aim of regulation is low prices we will end up with less energy, losses for the taxpayer to pay and an eventual larger price hike from weak supply. Look what happened to Bulb. The state interventions did not keep the general price of power down but we have losses to pay.

The Lib Dem idea of simply freezing the prices we pay answers nothing. Who then buys in and provides the energy and who covers the losses on doing that? Why indeed would a company volunteer to supply at a large loss?

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## [Part 2 of my interview with the Chairman of the Campaign for an Independent Britain](#)

Please find below part 2 of my interview with the Chairman of the Campaign for an Independent Britain. We discussed topics such as the next government, energy, housing:

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## [Water, water everywhere but not enough for plants to drink](#)

The water industry is an unusual one in the U.K. Instead of welcoming hot dry periods as a good opportunity to sell us more of its great product it lectures us to use less and threatens us with rationing. It must be because retail water suppliers are largely regulated monopolies. The Quangos that regulate them do not want them investing enough to grow their business and the businesses acquiesce in managed muddle and disappointment for customers. Both Regulator and industry have also performed badly when it comes to requiring the industry to clean up dirty water before returning it to our rivers.

Some greens argue that we should learn to use less water to place less stress on the planet. That is a wrong argument. Water is the most common substance on the surface of our globe. It is the ultimate renewable resource. We were all taught about the water cycle. Water from the vast supplies in our oceans and seas is swept up into clouds by the travelling winds. Some is deposited back down as rain. It finds its way back to the sea. If people interrupt its

progress and use it, they do not destroy it but pass it back to the river system via treatment works that should clean it from the dirty industrial process, washing or human urine forms. There is no great strain on the planet from using the water on its way back to sea, subject to regulating the uses we make of it.

Some people argue that the industry cannot expect to cope for every peak demand. If there is a hot summer then demand does rise as many more people want to water plants and fill paddling pools, more farmers want to irrigate crops and more drinks makers need to bottle more water based fluids. This too is a bizarre argument. The peak demand issue for a hot summer is mild compared with some of the peak demand issues other businesses face. The hot cross bun industry does not sell its products for most of the year and has plenty for Easter. It does not tell us in April it cannot handle such a peak and tell us to eat less or to order some for August.

The problem with monopoly and price regulation is two fold. Monopolies do not have to respond so well to customers as competitive businesses. If we had genuine choice of supplier to send us water down the pipes we would get a better service. Regulators do not necessarily choose to regulate the price at the level it takes to ensure sufficient supply. Short term wishes to keep prices below a market price leaves some regulated industries short of capacity and unable to invest in enough new.

The Water Regulator needs to call in the main players and go through what it would take to put in extra reservoirs, boreholes and desalination plans to make sure next time we have a hot spell with little rain we have enough water. It would also be a good idea to extend the competition now allowed for business water supply to spread to householders as well.