NEXT STEPS FOR Thames Water

In order to keep their promise of increased public control, this government must bring Thames Water into special administration followed by permanent public ownership.

Thames Water presents a huge opportunity for Labour's new government:

- Thames Water has gone bust. It has been in breach of its licence since July 2024, when its credit rating was slashed to 'junk'[2].
- Ofwat responded to this breach by setting a 'remediation objective': that the utility must return to financial stability. If this objective is not met, Ofwat has a 'duty' to take enforcement action, which includes the ability to begin a Special Administration Regime (SAR)[3].
- Thames Water's creditors - a group of US hedge funds, who intend to list the utility on the stock market as early as 2030 - are negotiating for the utility[4]. In return for injecting new money, they have made a series of offers demanding environmental leniency. Former Environment Secretary Emma Reynolds rejected the creditors' offer in June on the grounds that it unfairly heaped costs onto households[5].
- 112 MPs from across the political spectrum have called for Thames Water to urgently be placed in special administration[6].
- Thames Water is in breach of its licence, and the only offer to keep it in private hands is completely unacceptable for households and the environment. Now is the best time for this government to take it into public hands, and show that they will keep their promise to give the public control over life's essentials.
- In Greater Manchester, Andy Burnham fought the bus companies in court in order to win public control of Manchester's buses, a move which was hugely popular with voters. The collapsing Thames Water presents the Prime Minister and his new government with a huge opportunity to show the public whose side they are on, while tackling the cost of living crisis at its root.

> "Public ownership is absolutely an option. I would say for Thames Water, that is what should be done."
>
> - Andy Burnham, June 2026[1]

Regulation will not solve the problem:

- One of the headline measures of the Water Special Measures Act was to ban bonuses for the bosses of failing water companies. This rule has been flagrantly disobeyed by numerous executives. This July, Thames Water's finance boss was awarded a £1 million 'signing-on fee', days before it was announced that water bills are set to increase even further[7].
- The new water White Paper - which outlines intentions for the Clean Water Bill - is a gift to shareholders. A new, single regulator will be ripe for corporate capture. A 'tailored approach' for each water company and 'constrained discretion' offer water companies even more scope to bend and break the rules without consequence[8]. Water lobbyist body Water UK welcomed the paper with open arms[9].

Cost – there has never been a better time to take Thames Water into public hands:

- Thames Water's shareholders have either entirely written off or significantly reduced their investments[10]. They do not need compensation. Despite writing off their investments, these shareholders have continued to invest in UK infrastructure[11].
- Special administration enables significant debt haircuts. The Conservative government's plan for special administration of Thames Water ('Project Timber') entailed a 40% haircut for some creditors[12]. The utility's finances have worsened significantly since then: substantially more debt can be written off.
- Special administration demands that creditors are compensated according to 'appropriate value', not market value. Thames Water's Bondholders have extracted approximately £13 billion in interest and returns, in real terms, since 1989, while leaving infrastructure to fall into disrepair. Arguably, the 'appropriate value' of their compensation is nothing[13].
- Investors in Railtrack and Northern Rock lost their legal battles for compensation following nationalisation[14].
- Any remaining debt will be financed more cheaply in the public sector, where interest rates are much lower.
- The day-to-day running of Thames Water – and investments in infrastructure – will continue to be paid for by bills. Ofwat has said that the upcoming £104 billion of water sector 'private investment' is being paid for by customers[15]. It will not require money to be diverted from other government departments.
- Updates to the fiscal rules under Rachel Reeves mean that spending on infrastructure can be counted as an asset. Due to it providing a guaranteed income stream through bills, Thames Water would be an asset to the Treasury.
- EU countries exclude the debt of public corporations from their public balance sheets[16]. We should move to the same measure, meaning any debt from Thames Water would not sit on the public balance sheet.

Special administration and the transition to public ownership:

- Ofwat and the Secretary of State both have the power to petition for special administration. This process can be triggered on two grounds. Thames Water meets both:
    - **Performance:** Thames Water has a long record of breaching its environmental and financial obligations[17].
    - **Insolvency:** Thames Water is in nearly £19 billion of debt, and set to run out of money by the end of the year.
- Once in special administration, this government must make it clear to the administrators that the priority criteria for selecting a new owner must be complete fulfilment of their statutory obligations to properly treat sewage, and to keep water running. No privatised water company in the UK fully complies with these obligations. **The best option for meeting these obligations is to transfer Thames Water to a publicly owned entity.**
- This would follow the precedent set by Blair's Labour government, which successfully transitioned Railtrack into public ownership through administration.

Any other pathway for Thames Water is not viable:

- Continued privatisation:
  - **Accepting the creditors' proposal would set a dangerous new low for the entire water sector** by rewarding Thames Water for its failure, while handing over control of this vital resource to US hedge funds.
- Special administration, followed by re-privatisation:
  - Selling Thames Water to a new private company – or returning it to its original owners under the SAR 'rescue' provision – would be a grave betrayal of this government's promise to increase public control over life's essentials.
  - Socialising any losses involved in the restructuring of Thames Water while privatising the gains would be unacceptable to a public enduring a cost of living crisis.
- Special administration, followed by mutualisation or a not-for-profit cooperative:
  - Mutualisation is expensive. Mutuals and not-for-profits still count as private sector bodies, therefore borrowing for them is much more expensive. Welsh Water is a not-for-profit, and it has one of the highest financing costs in the sector, at 41%[18].
  - Mutuals and cooperatives are not adequately protected by UK law, and are therefore vulnerable to corporate capture. My CSP was established as a mutual for civil service pensions in 2012, and was originally employee-owned. By 2014, private equity had bought a controlling stake[19].
  - Cooperatives are unprecedented for water supply at this scale. The biggest water cooperative in the world - SAGUAPAC in Bolivia - serves around 1.5 million people. Thames Water serves 16 million.

Public ownership of Thames Water is the best way forward:

Public ownership of water:

- Is **popular**: 82% of the public want water to be in public hands[20].
- Is **proven**: water is publicly owned in 90% of the world[21].
- Offers the **best value** for households and the public purse: under privatisation, approximately one third of water bills is spent on shareholder payouts and servicing expensive debt. Under public ownership, this money would be spent on fixing crumbling infrastructure and lowering bills[22].
- Offers **truly democratic public control**, by enabling households, workers and environmental groups to sit on the Board.
- Will protect our **environment**. Private companies profit from pollution. Public ownership will direct billpayers' money into fixing leaks and repairing infrastructure, so that sewage is stopped from flowing into our rivers and seas. The countries which have the cleanest rivers and seas are where water is publicly owned[23].
- Will protect **public health**. Sewage pollution – as incentivised by privatisation – poses a severe risk to public health. Channel 4's 'Dirty Business' outlined the heartbreaking consequences of water companies' rampant pollution. Public ownership of water is also an urgently necessary response to the climate emergency: it will direct billpayers' money towards building new reservoirs and fixing leaks, in order to conserve water during times of scarcity.

> "My daughter Heather was eight years old when dirty water killed her. She was a fun-loving little girl who knew only love, happiness and friendship [...] That is the reality of what polluted seas and rivers can do to our children, and why it's so important that real action, not hollow words, is taken to end sewage pollution"
>
> – Julie Maughan, mother of Heather Preen[24]

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