

The context and consequences of OFWAT's price plan for 2025-30

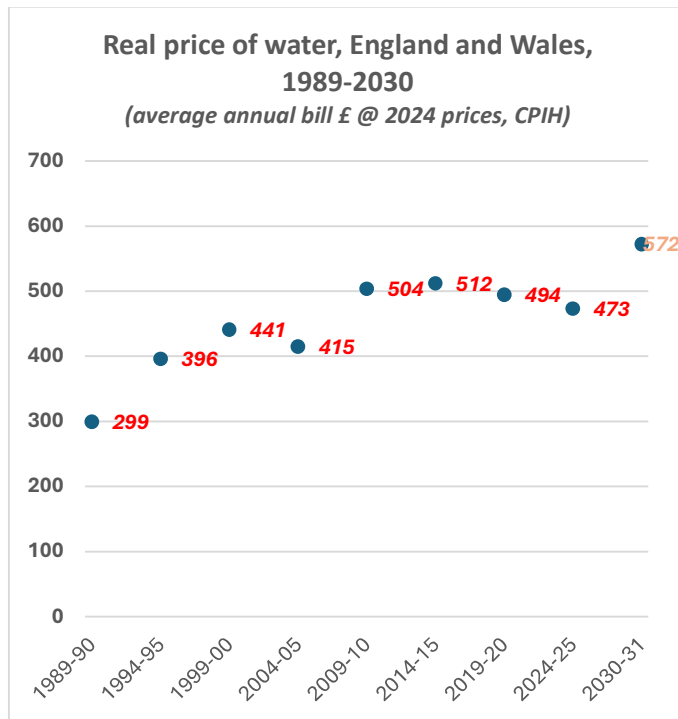
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These notes and data are intended as a briefing for media and public on OFWAT's plans for water price rises. They are based on PSIRU's long-term research on water in the UK and elsewhere, published on the University's archive of at , and PSIRU's blog at www.psiru.org .

- **OFWAT's announcement on water prices will mean that everyone in England and Wales will pay almost double, in real terms, what they paid before privatisation (chart 1)**
 - Average water bills have already risen by 58% in real terms - above general inflation – since 1989. OFWAT's draft proposals would take the real increase to over 90% in 2030.
 - An increase of 22% by 20230 (OFWAT's draft proposal) is about £99 in real terms - greater than the total real price rise of £77 over the last 30 years (all @23-24 prices).
- **Companies take more than one-third of customer bills to pay interest on debt and dividends to shareholders. So only 65% of price rises are used for investment. (Table 1)**
 - for every extra £ on customer bills announced by OFWAT, 35p will be lost to these financial payments. Only 65p will be available for investment.
 - In some companies the money taken by financing costs is already over 40% of bills. This includes Thames Water (41% already) , Anglian Water (43%), Wessex Water (47%), and also Dwr Cymru (41%: it pays no dividends, but has high cost of debt)
 - Under public ownership finance costs would be much lower.
- **shareholders have invested less than nothing in 35 years since privatisation – but have extracted over £92 billion in dividends and reduction in equity (Table 2, chart 2)**
 - Over **£83 billion has been paid out in dividends** since 1989 (@ 23-24 prices)
 - shareholders have not injected new equity, but have taken out half of their original 1990 investment, and of inherited retained earnings: minus -£9.4bn. (@ 23-24 prices)
- **the companies were privatised debt-free, but net debt is now almost £70billion. It has been used principally to fund the payment of dividends, not for investment.**
 - the companies increased net debt by 8% (£5.6bn) in 2023-24, to a new total of £69.5bn.
 - the debts are now over 500% of equity, which is the normal way of measuring gearing
- **long-run total capital expenditure since privatisation is £210billion (@23-24 prices, CPIH), but financed by consumer bills**
 - the overwhelming majority has been financed out of consumer bills with no contribution from shareholders, who have rather extracted large sums which could have increased capex by over 40% (Chart 3)

Annexe: charts and tables

- **Chart 1: Real cost of water and sewerage to consumers in England and Wales, 1989-2030**



- **Table 1: Finance costs and dividends soak up 35% of company revenues (2023-24)**

Company	Type	Finance costs + dividends £m.	revenue £m.	Finance costs + dividends as % of revenue	Capex £m.
Anglian Water	WASC	699	1,627	43%	994
Dŵr Cymru	WASC	378	924	41%	412
Hafren Dyfrdwy	WASC	4	40	9%	15
Northumbrian Water	WASC	308	919	33%	397
Severn Trent Water	WASC	598	2,122	28%	1,244
South West Water	WASC	203	731	28%	554
Southern Water	WASC	289	887	33%	732
Thames Water	WASC	1025	2,518	41%	2,002
United Utilities	WASC	569	1,948	29%	764
Wessex Water	WASC	272	574	47%	363
Yorkshire Water	WASC	401	1,227	33%	658
Total WASCs		4744	13,518	35%	8,134
Affinity Water	WOC	94	348	27%	160
Portsmouth Water	WOC	30	48	62%	61
South East Water	WOC	106	282	38%	129
South Staffs Water	WOC	40	152	27%	80
SES Water	WOC	31	73	42%	22
Total WOCs		301	901.8	33%	451.9
TOTAL WASCs + WOCs		5045	14,419	8,585	35%

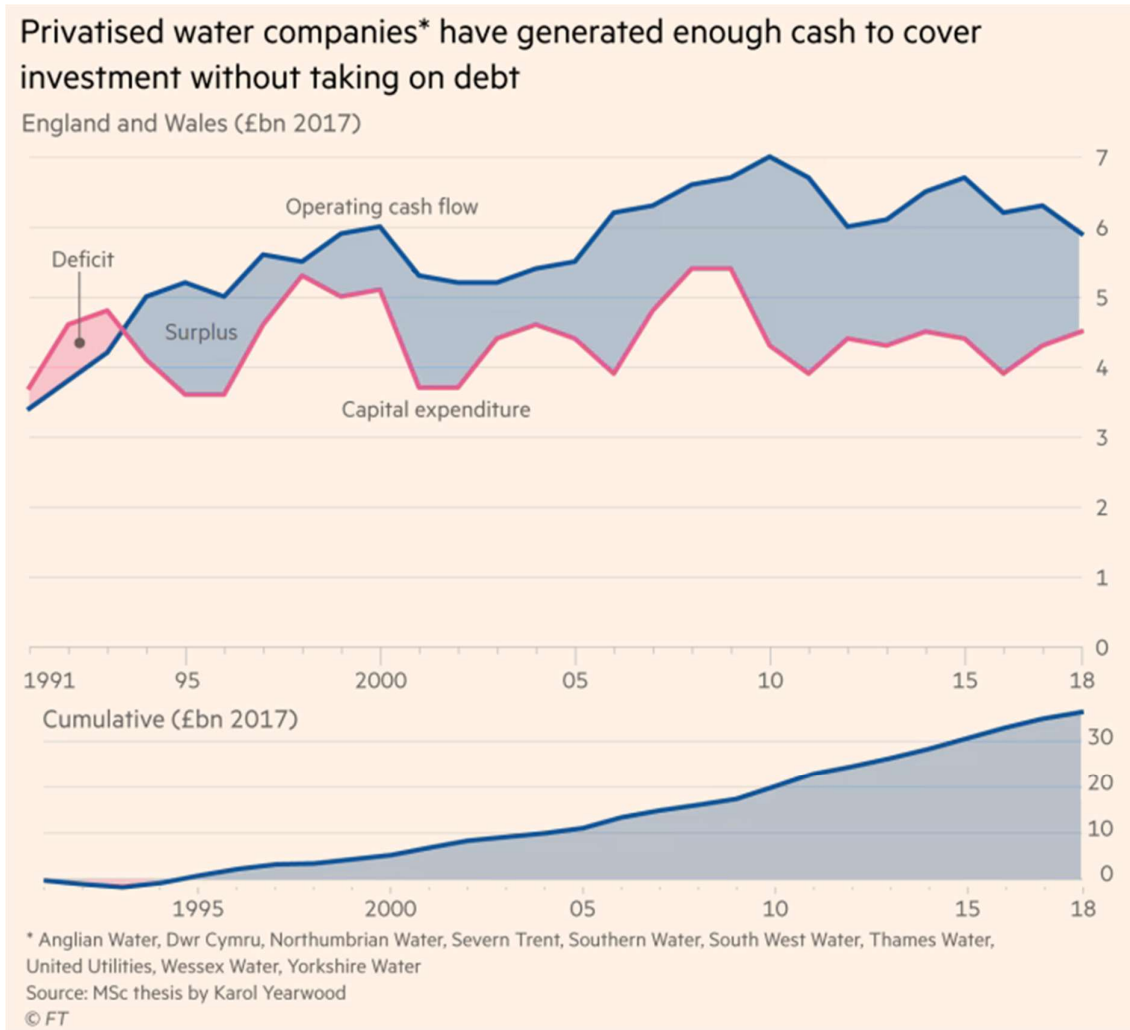
- **Table 2: Shareholders Long-term reduction in shares and retained earnings**

Company	Change in total s'holder funds 1990-2024 (Real £m.2023-24 prices)
Anglian Water	-379
Dŵr Cymru	-288
Hafren Dyfrdwy	
Northumbrian Water	-814
Severn Trent Water	-1669
South West Water	-509
Southern Water	1
Thames Water	-1728
United Utilities	-2214
Wessex Water	-617
Yorkshire Water	-1129
Total WASCs	-9368

- **Chart 2: Extracting dividends cuts potential capex by 40%**



- **Chart 3: Consumer payments finance capex as well as opex**



- **Source: [FT 12 Oct 2018 Plimmer and Ford](#) , [Yearwood 2018](#)**