INDUSTRY COMMENT

SEWER DISCHARGE FURORE COULD FUEL FAILINGS IN THE FUTURE

Martin Hurst cautions against the unintended consequences and missed opportunities arising from the public outcry over storm discharges.



It would be impossible to miss the furore over the fact that untreated sewage is entering our seas and waterways. People's gut reaction is that a routine practice of releasing untreated water into bathing waters and rivers must be wrong. This is compounded by media reports that show public criticism of water executives' salaries and the high dividends received by shareholders – many of whom are foreign infrastructure companies with no apparent loyalty to the UK or customers. This is a seismic shift in the popular perception.

In my three and a half years as senior environment, housing and farming advisor in Number 10 in the early 2000s, issues around water policy crossed my desk just once, when I was briefed on the final determinations for the industry's statutory five-year review, PR04. I spent over ten times that much time on the vexed issue of the BSE related controls regarding beef on the bone!

The great thing about being water director in Defra from 2007-2010 was that – aside from emergencies such as the Mythe treatment plant being out of action for two weeks due to the 2007 floods, the 2010 Flood and Water Act and the PR09 outcome – I was left to myself to work on the agenda with the European commission and other member states (remember them!), my teams, the Environment Agency (EA) and a series of excellent junior ministers. Ofwat were left by almost everyone to have a purist economic regulation role, except for occasional sparring around some green spend.

How things have changed... But while the fury might be understandable (who wants to get ill – or risk it – from swimming at their local beach), the problems are as readers of The Water Report well know, more complicated than they first appear. And this means the solution is also more complex.

The irony is that while the intention of the public outcry is well meant and born from passion, the result might be counterproductive.

Risk aversion

I really feel for my successors (and their counterparts in the EA, Ofwat and the companies). The amount of 'free' time they have is severely constrained by the need to handle the media and resulting fall out. The extent of scrutiny of the smallest decision is out of proportion to its true impact. We used to have around one parliamentary question to answer a fortnight on water. A quick trawl through the most recent Hansards suggests that is now over one a day.

It is genuinely hard making decisions in that kind of environment, even without the hiatus that tends to accompany a potential change of governing party. In addition to the sheer lack of bandwidth, the degree of organisational and political risk aversion which a public furore engenders can make sensible medium-term decision-making particularly difficult. Why try something innovative, or different, when the risk of it going wrong could lead to public assassination, but even if you do get it right, (which in any case won't be visible for several years) that doesn't lead to any respite. Why think strategically about the future if what people are screaming for is anything which reduces the short-term media hits?

This background is important when looking at the recent Defra plan for water, and the EA's approach to the Water Industry National Environment Programme (WINEP), as well as the company work on their business plans for PR24. I have significant issues with what is happening. But that's not to say I don't understand the pressures which lie behind some of the decisions.

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Missed opportunities

The historical context is not a happy one. Collectively, we in government, the civil service, regulators and the industry allowed the 20-year bonus of falling cost of capital and rising gearing to be 'spent' on a combination of lower bills and higher dividends.

We might have put a few millions into schemes such as catchment sensitive farming and the catchment-based approach, but we did not meaningfully address the ongoing erosion of the ecological quality of our water bodies. We allowed the fact that we made quite good progress on the problem of acute water pollution, and frequently quoted the statistic about fish species in the Thames growing from zero to over 100 as a result, to close our eyes to chronic pollution. And (though I absent myself from this one) we ducked the challenge of decaying water infrastructure.

We also created a regime in which treasury departments in companies became profit centres (behaviours follow incentives) and allowed almost complete demarcation between flood defence and environment spend by government and between these spending pots and water company spending.

Unintended consequences

Although some of these lessons have been learnt and no one is taking the water environment lightly anymore, there is a danger that a 'safe' and simplistic answer of big capital spend and lots of new concrete will have many unintended consequences, and will prevent people from seeking to optimise policy and address the wider parlous state of assets.

We are pushing more and more money into capital and carbon intensive infrastructure, because it is 'safe' and gives a good 'line to take' on questions about combined sewer overflows (CSOs). But we are likely to temporise on more holistic (and cheaper, but perhaps a bit riskier) natural solutions, or allow pilots and better joint working to kick fundamental change down the road. This will not gain us plaudits or thanks from future generations.

The real irony is that I don't talk to anyone who really wants that to happen. The Defra Plan for Water says some great things about multiple outcomes and joined-up solutions. Ofwat and politicians must be worried about the extent of bill rises from concrete pouring. The EA is starting for the first time to work across floods and water in catchments and now 'gets' surface water management. And the companies want to manage bill consequences for their customers, and most are keen to reduce carbon – including embedded carbon – and work with stakeholders such as the voluntary sector on local nature-based solutions.

I very much don't want to point the finger. While I am no fan of some of the existing statutory approaches like the Environment Act phosphorous target, such rules are far from the only problem. Some of the companies have told me that recent regulations and the move to unlimited fines give them no choice but to be highly risk averse. But others outside the companies are more sanguine and suggest that the companies could do quite a lot more if they wanted, perhaps with a fair wind from the Environment Agency.

I can't adjudicate here, though I personally doubt that 'unlimited fines' will mean much more than the hundreds of millions of pounds that Southern Water have for example had to pay through a mixture of civil and criminal penalties and 'voluntary' reparation.

Good practice

What I do know is that there is some great practice on the ground, and that with goodwill on all sides it really shouldn't be beyond the wit of mankind to come together and find some ways to build on these.

So, for example, Wessex Water's trading with farmers for nitrate reduction appears to deliver the same quantum or greater improvement in nutrient load as more expensive and carbon intensive end of pipe technologies.

And Southern Water's approach to soft measures to reduce run off into sewers are at least claiming dramatic reductions in storm overflows from smart water butts and rain gardens rather than ever bigger storm tanks. There is even some EA money going in, recognising the benefits in terms of surface water flooding and to their credit the EA has just made it much easier for their area teams to fund joint work on surface water.

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Northumbrian Water has been working for years in an integrated drainage partnership with local authorities and the regional flood and coastal committee. (Perhaps distance from London gives more freedom to JFDI!)

I could go on. The problem is that all these things are relatively disjointed one-offs, with different success criteria, monitoring and metrics. And we need a step-change in the quantum of such approaches.

Seeking a step change

At Sustainability First we aim to set out a safe space to have some of the discussions about what exactly it might take to create this step change. The Rivers Trust led project funded by the Ofwat innovation fund is a great start here, if not fully for PR24 then certainly for PR29. Some of the questions we will be asking include:

- *What evidence do decision makers need from these softer approaches for them to be admissible as an alternative to concrete and carbon?*
- *How can we mainstream from 'more pilots than British Airways'? In the absence of a water catapult, can we create production scale demonstrators?*
- *What might be on offer for a new government in terms of quick wins: better outcomes, less cost?*
- *Are there burning platforms for rowing back on some of the wording of recent regulations etc.?*
- *How can we move towards a step change in monitoring and towards smart monitoring? I have seen affordable technologies which allow for real time nitrate and phosphate monitoring in water bodies for example. And can AI offer a step change in the use of such data as there is?*
- *How can we involve all customers and communities in decisions about their local environment (not just those who shout loudest) rather than informing them or worse still running token consultations? And how do we manage expectations given the time it may take to make improvements?*
- *How can we build the local and national institutions (perhaps based on the catchment-based approach) to enable the four big funding sources – EA's flood money, EA's water money, the water company spend, and local land management spend – to work together without facing four different success criteria and bureaucracies?*

A final thought. This would all be much easier if there was an educated and informed debate in the media and beyond. The Times apart, this is not the case. I fully support those who are trying to create a 'trusted dialogue' around water and promote 'water literacy'. I would however stress that neither the sector, nor the regulators or government, have the credibility to do this: the holy grail of third-party ownership and endorsement is more than usually relevant at the moment.

By Martin Hurst, associate, Sustainability First.