

Sewerage agencies in the private water industry and the proposals of Southern Water's Sussex Division

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43. Referring to Mr Tozzi's Paper, I do not share the view expressed in § 4 that there was any uncertainty about responsibilities. Full liability for sewerage functions passed to the water authorities in 1974, an arrangement which allied the sewage disposal, river purity and land drainage interests in a manner providing a superb opportunity for much to be achieved by way of direction by government if expedient.

44. Taking the view that it thereby became unlawful for a local authority itself, directly or indirectly, to bear any part of the sewerage costs (which were to disappear from the rate fund (or community) expenditure and instead be a charge by the water authority), I recall strenuous efforts made (along with ascertaining the true all-inclusive costings of the local authority's own services) to ascertain the actual cost of services, inclusive of the staff and overheads at all levels and in the various departments involved, (not least so as to avoid subsidization, as in § 26).

45. Furthermore, this was essential to prevent the water authorities from falsely obtaining a rosy impression of how cheaply sewerage services might seem to be carried out. This was not an attempt to load the costs, but to establish their real and proper content. At the same time an inevitable and welcome outcome was to give rise to consideration of which cost-effective economies might be achieved by review of operational procedures.

46. According to how the recoverable charges are structured, there may be a place for some fixed sum or percentage element (§ 10), I would not, however, agree with the view that it was an 'extra over' cost which is avoidable, as expressed by one water plc (not Southern) which considered that they could save this cost by direct control, claiming to be able to perform the duties without additional utilization of staff.

47. The situation about the placement of staff, their experience and expertise, receives several mentions (§§ 6, 8, 27) and they are certainly needed in one or other place. This leads to the observation that in the matters mentioned in § 9(c) sewerage adoptions and 9(d) various other functions and town planning, an agent (particularly single-tier) authority is ideally placed to identify the problems arising

from development and to exercise some influence in mitigation of potential difficulties, much to the benefit of a water authority, but without much incentive to so help a plc. I would cite a case of a developer's private drainage proposals, leading themselves to slight modification, at little or no extra cost and adoption, to serve a first time sewerage need, provisionally arranged, but rejected by the water company having no funds for such proposals.

48. In the technological area (§§ 20–24) there can be no disputing that the water authorities held the unique role to co-ordinate effort and make overall best use of funds by methods of analysis and control which have grown in sophistication as time has elapsed. The present systems would have been impracticable (and unthinkably costly) in the former sphere of individually responsible local authorities.

49. However, instead of encouraging the water authorities to get on with the job the government's power of direction seemed to be curtailed to requiring them to discharge their loan debts, a financial constraint causing the postponement of many long awaited projects by a period which, coupled to the change of outlook to plcs, must constitute an aggregate delay of the order of a decade.

50. As the new water companies did not get the direct proceeds of the flotation, the persisting need of capital finance remains largely to be met by way of new loans, share issue or higher charges, much as before, but, strangely, subjected to some more stringent regulations (§§ 19, 31).

51. I retired before experiencing the full impact of the latest thinking but I have the impression that any real comparison between the former agency costs and what the plcs may achieve will remain a secret unlikely to be revealed.

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52. Difficulties in ascertaining the actual costs of services provided by sewerage agents were often highlighted in small district councils where sewerage staff spent only part of their time on water authority work. This created difficulties for both parties in ascertaining the true cost of sewerage work and the transfer of this function to the direct control of Southern

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Water has enabled the company to identify the true costs for the first time.

53. Other factors, such as economies of scale, do make it difficult to produce a direct comparison, but the Sussex Division of Southern Water is satisfied that substantial cost reductions are being achieved while maintaining a high standard of service for our customers.

54. I agree that the question of development is an important role of a district council, but the new water plcs are charged with providing both clean and dirty water services to existing and future customers and have been provided with a financial structure to enable them to do

so. This enables the water company to stand back from the planning and development role which is clearly the responsibility of others.

55. The removal of the water industry from the public sector and its reliance on the PSBR has enabled the plcs to raise capital in the open market-place and with an agreed charging regime the largest investment programme since Victorian times is well advanced.

56. Southern Water is satisfied that the most cost-effective and customer-effective way of providing sewerage services is to undertake the role of the previous sewerage agents direct and early comparisons confirm this.