

OUR WATER OUR WAY

**A democratic case for public
ownership of water**

Lena Swedlow, Foreword by Clive Lewis MP

 **Compass**

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About this report

This report coincides with our campaign of the same name to put public ownership of water back on the table in 2025. It's not enough to change the regulator or introduce guardrails. The private companies controlling our water have monopolies – and have rinsed the public for profit for over 30 years. Enough is enough.

This campaign has the support of a range of trade unions, grassroots groups, academics, and campaign organisations. If you would like to know more, [visit the website](#) or [get in touch](#).

About Compass

Compass is the pressure group for a Good Society, a world that is much more equal, sustainable and democratic. We build alliances of ideas, parties and movements to help make systemic change happen. Our strategic focus is to understand, build, support, and accelerate new forms of democratic practice and collaborative action that are taking place in civil society and the economy, and to link those with state reforms and policy. The meeting point of emerging horizontal participation and vertical resource and policy we call [45 Degree Change](#).



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Foreword

Half a century ago, Margaret Thatcher's revolution ripped up and rewrote the rulebook for economic management. It was an ideology that assumed that profit-maximisation would deliver public good, even when it came to our common resources and public services. Whether or not you agree with her ideology, Thatcher proved that the world could be made differently, and that rules were there for the changing. We need to apply that same mindset now. As John Maynard Keynes said: "anything we can actually do we can afford". That is the mantra that should define democratic and responsive adaptation to the climate crisis.

Politicians need to be honest that we are struggling to find a way out of this mess. The dominant political and economic orthodoxy of what is possible has come to its limits. We have blocked ourselves on every avenue – whether that is through arbitrary fiscal rules, or failing to confront the plain reality that the profit-maximisation motive is undermining good public resource management.

This is a cage we have built for ourselves. It is also one we can free ourselves of, if we so desire.

There's clear public outrage about how our water is being mismanaged. There's also a clear public consensus that the current privatised and regulated system does not work. If our government fails to act, this will further undermine people's shaky faith in democracy. With the rise of the far right, the failure of democracy is not something we can afford to oversee.

We have to stop water mismanagement, and that can only be done through systemic change. The answers do not lie in failed regulators or tinkering around the edges. We must have the courage to change the rules and create a new political reality. This is, to some degree, already happening in other areas, whether that is rail or energy.

I welcome this report supporting Compass' campaigning on this crucial issue. It lays out a roadmap that I hope our government follows. I hope this campaign will be the starting point for a national and democratic conversation about water, and about how this integral part of our commons is managed in the 21st century, with all the democratic, climate and ecological challenges that lie ahead.

- Clive Lewis MP, Norwich South

Summary

Privatisation broke our water system. The scale of sewage dumping and pollution is shocking, water is only going to become more scarce but currently the system leaks a fifth of all the water supply, and our bills are extortionate. We are being ripped off - and not just by the companies that own and manage our water and sewage, but by our regulators, and increasingly by our government.

Water is a necessary resource, vital for all life. It is also precious and can't be taken for granted. It should not be in the hands of companies that have shown that they are prepared to break the law in order to generate profit.

A slew of headlines has made it clear that the companies are in deep trouble financially - but there was always more than enough money. Instead of investing in the water network, the money from bills was used to line the pockets of executives, shareholders, and bosses. England's privatisation of water, perhaps unsurprisingly, has been an exercise in profit extraction - not providing a service. The regulators have been defanged to the point of inefficacy and the companies are increasingly uninvestable with the worst of them approaching insolvency and requiring public cash bailouts just to stay afloat.

Water access and our water system are set to come under tremendous strain as a result of climate change. Depending on population movement and growth, and the exact effects of climate change, the Environmental Agency estimates that [we will require an additional 5 billion litres per day by 2050 to counter the growing risk of drought](#). A former chief of the Environment Agency says England [could run out of water by 2050](#).

Privatisation isn't failing - it is the failure.

The group of people with a seat at the table in the governance of English water does not include anyone with a legitimate democratic mandate to serve people and our environment. Billpayers, workers, locally elected politicians, academic experts, grassroots environmental or other relevant interest groups just don't get a look-in on decisions. There is no link to local accountability or public participation in regulator decisions. It's this astounding democratic deficit, perhaps more than the financial mess we're in, that necessitates structural change in ownership. Allowing these companies to limp along without real change before the next election, charging ever-more eye-watering bills, will end in disaster - ecologically, economically, and electorally.

To turn this tide, it will not be enough to tweak the regulator or introduce guardrails against the most egregious offences - we need new types of people in the room making decisions. To democratise English water we need public ownership. That's not just a nice principle, or a

way to protect citizens and workers, but the way forward for effective climate mitigation and adaptation policies.

This paper lays out the path that the Labour government could choose to follow to lay the groundwork for this change. They have already begun taking our energy grid and our railways back into public ownership. There is a blueprint for how this would work. To kick off, and before fully taking water back into public hands, the government could:

- reinstate high standards of water quality we lost in privatisation and after our exit from the European Union
- require binding affordability targets
- clearly lay out the thresholds of Special Administration
- reduce the right of [25 years notice](#) to terminate water companies' licenses

This doesn't just have to be ideas - nor are we beholden to the government's action. Campaigners, trade unionists, politicians and citizens can act together now to build the infrastructure we might need in the future.

People who have a legitimate democratic mandate to serve people and our environment can start meeting independently to advocate for a people-powered boards for water — citizens, workers from trade unions, locally elected politicians, academic experts, grassroots environmental or other relevant interest groups can already gather to make decisions collectively about the future of our water.

At first, those boards could give the public a voice, to show that a different way is possible. As they grow and concretise, they could act to hold companies accountable and push for ownership reform. Then, as reforms happen, they could start setting prices and managing services. Finally, company ownership can be transferred to them, with infrastructure and expertise already set up for water services to run smoothly.

Turning to what we do need from government, at the very least we need them to lay out the next steps and a clear direction of travel towards change. That should mean changing the incentives and the logic by which the system operates: public good, democratic control and ecological stewardship - not profit - should orientate our management of our water system.

There should be serious action to clamp down on water companies to stop them rinsing us for profit. We need a real plan from the government on how to reform our regulators, Ofwat and the Environment Agency, to give them back power to actually regulate. In the longer term, they need to commit to properly exploring different models of ownership and governance, and hand power over our water back to where it belongs - with the people.

Introduction

Water is essential. It sustains all life and all ecosystems.

Yet since 1989 in England water has been treated as a resource to make money for banks, vulture funds, and other countries' governments. It is one of the most extreme examples of privatised water anywhere in the world.

The consequences of this mistake are now out in the open. The scale of sewage dumping and pollution is scandalous, and has started to hospitalise citizens. Water is only going to become more scarce as the climate crisis worsens but currently our system leaks a fifth of all the water supply. Our bills are extortionate. The regulators have been ineffective and the companies are increasingly uninvestable with the worst companies approaching insolvency and requiring public cash bailouts just to stay afloat.

In no other resource are the contradictions of privatisation and public good more clear than water. It's a natural monopoly where no competition can exist, and interruptions and delays endanger lives. In a more ecologically volatile world, it can't be taken for granted.

It is clear control over water should not be in the hands of profit-making companies. Especially not ones that have shown that they are prepared to break the law time and time again in order to generate profit.

The people that should have control water are the people it serves, the people that make the service run, and the people with a democratic mandate to serve our communities. That's why we are advocating for public ownership.

We have to change the incentives, and the logic by which the system operates: public good, democratic control and ecological stewardship - not profit - should orientate our management of our water system. That means systemic change to remove profit incentives from the current system and install real participation and accountability.

There are so many examples of ways our water system could be improved. Paris, Berlin, Stockholm and Cape Town can serve as municipal models to learn from. Scotland, Ireland, and the Netherlands all have national structures and legalisation that better serve their citizens and environment.

Public ownership of water is not a question of why, it is not a mystery how we get there, and it cannot be a case of if, but when.

Troubled Waters

Privatisation broke our water system. Passing an essential of life that is a natural monopoly into private and profit-maximising hands was always going to lead to disaster. 35 years on, the scale of that disaster is now laid bare - sewage and pollution, a fifth of our water supply lost to leaks in a complete failure to prepare for climate change, and wholly unaffordable prices. All to line the pockets of company bosses.

Sewage spillage and dumping is a common occurrence. Data from the Environment Agency revealed that raw sewage has been pumped into rivers and seas in England at least 464,056 times in 2023, making an average of 1,271 times a day – a 54% increase in 2022. On top of this, the data and reporting on sewage dumping used by water companies have routinely been challenged by academics and environmentalists [as inaccurate and misleading](#). Not a single waterway in England [is in good chemical health](#), which means that the concentrations of toxic chemicals are higher than the safe limit in every river. There has been no real change in these numbers in the last five years, despite consistent alarm bells being raised by campaigners.

Looking across the UK, the sewage crisis is affecting the different nations in the UK differently. Comparatively, Scotland is faring better, Wales is in similar trouble, and England is the worst of all. In 2023 [over 1 million hours of sewage spills were recorded in Wales](#). While in England only 15% of waterways reach the benchmark for good or above good ecological health, in Scotland the proportion of river stretches assessed as being in good or better overall condition [is 57.2%](#) - a marked increase since the last assessment. Official statistics from Scottish Water showed [21,660 discharges were logged in 2023](#), at an average of 59 times a day – a 10% increase from 19,676 the previous year. Sewage spills are just one of the easiest and most obvious forms of pollution, run-off from agriculture, and transport, are also a huge problem for the health of our waterways. These problems have similarly [gotten worse or been ignored](#) over the last few years.

Every single water company operating in England [is under criminal investigation for illegal pollution](#) by one of the regulators, Ofwat, and many are [under investigation by the other, the Environment Agency](#), for breaching permits.

Hundreds of groups have sprung up around the UK in outrage to monitor local sewage output and campaign for change. It is largely thanks to these citizen-led groups, rather than our government or regulators, that we know the extent of sewage dumping and the state of our rivers and seas.

As well as leaking sewage, our crumbling infrastructure [is leaking 3 billion litres of water a day](#) - meaning that 20% of the total supply of our water is currently wasted. Depending on population movement

and growth, and the exact effects of climate change, the Environment Agency estimates that [we will require an additional 5 billion litres per day by 2050 to counter the growing risk of drought](#). A former chief of the Environment Agency says England could run out of water by 2050. We have known about the increasing risk of drought for decades. Yet, in the two decades between 2000 and 2020, leakage levels [remained broadly the same the whole time](#). There is now a target to halve leakage from 2017-18 levels by 2050 - but questions have to be asked about how this problem was ignored by the water companies operating in England and what our regulator was doing.

The last measure of our broken water system is its abject failure to provide an affordable service. At the end of last year, the Consumer Council for Water ran a survey on the proposed 21% bill increase. They reported that almost [a fifth \(18%\) were already struggling with bills and 40% said they would struggle to afford the proposed increase](#). We don't have numbers that reflect the actual bill increases agreed in December 2024, which in some areas is up to 53%, so it is hard to understand the exact effect on people's purses. That being said, at a time when millions are already struggling, we're staring down another hefty increase in energy bills from April when the energy price cap is adjusted, and with potentially above-inflation rises in council tax, it feels reasonable to assume that for many, water bills are already unaffordable. Increasing them only increases the number of people in the UK who are struggling to make ends meet.

Looking to other parts of the UK and our peers internationally again reveals how absurd our system is. England has some of the most expensive water bills in Europe, about [10% higher than Scotland](#), and more than in [Spain, France and the Netherlands](#), and some of the most polluted water.

So how did we end up with extortionate bills and sewage in the rivers?

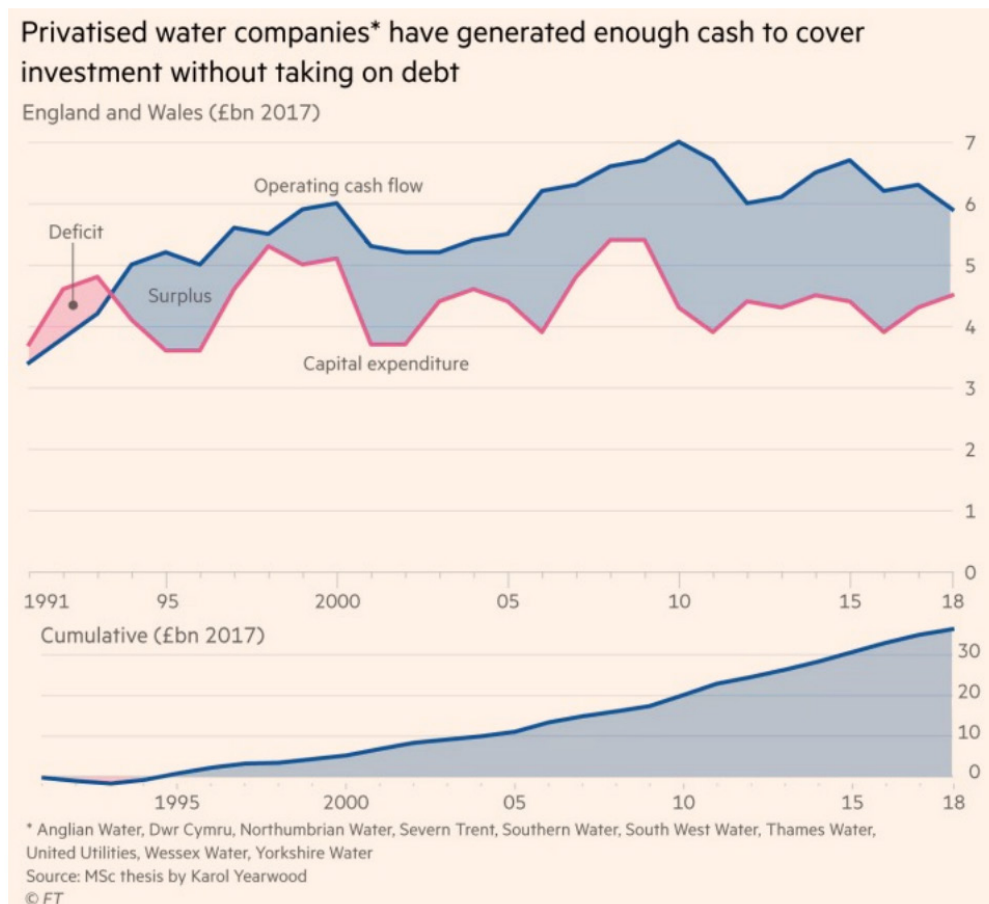
What's in the water under the bridge?

The deal made in 1989 to privatise the water companies was a rotten one - and a blatant rip-off. While taking on none of the debt or cost of building the physical or organisational infrastructure, companies were handed a ready-made industry and trained workforce, [£7.7 billion of public subsidies](#) in tax relief on profits and regional monopolies on an essential public resource, all overseen by a toothless regulator.

The justification for this shocking deal was that privatisation would bring investment. But the simple fact of the matter is they are companies run for profit. So, they are incentivised to invest as little as possible in the infrastructure. In the first 10 years of privatisation, the public subsidies included in the initial privatisation deal alone financed

roughly one-third of all the investments. Since the 1990s, investment in infrastructure has not only stalled, it has been slashed by up to a fifth - and now we see leakages, sewage spills, and an industry completely unequipped to deal with a changing climate. While investment plummeted, debt skyrocketed into the billions. Despite taking on the companies essentially debt-free 35 years ago, currently, the industry's debt stands at over £60bn.

But there was always more than enough to cover the costs. Instead of investing in the water network, their money (money from our bills) was used to line the pockets of executives, shareholders, and bosses. This was an exercise in extraction - not providing a service.



The justification for the recent bill hikes is that the companies managing our waste and drinking water need extra cash to invest in environmental projects and the resilience of our water system. But these companies have been paid already - through our bills. We are now paying twice. Millions of us have paid our bills for 35 years to cover the cost of running the service. But water companies didn't use that money for the water sector - they squeezed out every possible penny of profit to pay themselves. Now, through ridiculous bill hikes we are being asked to cover the cost of the investment that should have already happened.

They chose to siphon off that money to their shareholders, with our regulator doing little to stop them. They walk away with £1.5 billion in dividends for shareholders every year on average (and £1.7 million for CEO salaries). Instead of having water companies with a public mission

and public accountability, these companies have to deliver for their shareholders first, and the rest of us second (if at all).

It's not just that we are paying for the service and investment twice, we are now footing a bigger bill because of their financial recklessness - more than 30% of our bill is not used to cover the cost of the service or investment in infrastructure. Instead, because water companies chose to take on billions in debt so they could keep handing out bonuses to executives and dividends to shareholders, about a third of our money goes to banks to cover debt, to bosses in bonuses or to shareholders in dividends.

The numbers are staggering. Since privatisation, £80bn has been paid out to shareholders in dividends and on top of that millions paid in interest and fees - the recent Thames Water bailout loan came with a 9.75% interest rate, which experts have reported could siphon off £800m over 2.5 years. In 2022-23 alone, companies in England and Wales paid £1.45 billion out in dividends. This is equivalent to over £53 per customer, or £1 per week, from every household straight into the pockets of shareholders.

Because of their poor financial decisions, water companies are increasingly "uninvestable". It's no wonder investors are not rushing to bail out these companies. They're a liability: executive pay is out of control, and despite being fined for poor performance, investigated for illegal dumping and riddled with debt, they are still handing out whopping bonuses and dividends.

This is not just a public and moral outrage. It's also a terrible investment for anyone not wanting to throw their money down the drain. It's a fundamentally broken business model.

It's not just the companies that create these problems - it's our regulators. In the process of privatisation, Ofwat's statutory duties became to secure reasonable returns for investors. That is fundamentally opposed to an obligation to provide clean, safe, affordable water to customers. Ofwat as a regulator isn't fit for purpose because it is impossible to regulate a private company wholly in the public interest. Time and time again we have seen that the statutory responsibility to shareholders' bottom line is supreme, and the responsibility to us and our environment falls by the wayside.

The extent of Ofwat's absolute allegiance to the water companies was made abundantly clear in 2002, when Ofwat agreed to give them the right of 25 years notice to terminate their licenses. Other similar services and resources in private hands routinely have much shorter notices - our energy regulator, Ofgem, gives companies 30 days. Coupled with their regional monopolies, this effectively handed companies a carte blanche that they have used to avoid any real consequences of their illegal activity. Citizens have no choice of provider

and the government has no real choice who holds the license as it would take a generation to change.

The other regulator that oversees our water network is the Environment Agency (EA). Between 2010 and 2020, [government funding to the EA halved](#). As a result, they were embroiled in disputes with employees about workload and pay, and had half the capacity to do the same job. This has meant that at the very point we needed a strong, stable regulator to oversee our transition to a warmer world and to stand up for the environment the most, their ability to challenge these companies was cut off at the knees.

Water is a necessary resource, vital for all life. It is also precious and can't be taken for granted. It should not be in the hands of companies that have shown that they are prepared to break the law in order to generate profit. But before we even consider what should and should not be the case, it is important to establish that this is not the international norm. England's water system is a complete global anomaly, being completely privately owned by companies. Moreover, [70% of the owners of these companies are not based in the UK](#). To pick a few examples, stakeholders in Thames Water include companies owned by the governments of Kuwait, Abu Dhabi and China, and Yorkshire Water is a third owned by the Singapore government. This privatised regulated model means that the Singaporean government has a say in what Yorkshire Water does and collects a profit from it - but the +5 million people they serve in Yorkshire have to pay up and shut up.

The group of people with a seat at the table in the governance of English water does not include anyone with a legitimate democratic mandate to serve people and our environment. Billpayers, workers, locally elected politicians, academic experts, grassroots environmental or other relevant interest groups just don't get a look-in on decisions. There is no link to local accountability or public participation in either the Ofwat or EA decisions.

It's this astounding democratic deficit, perhaps more than the financial mess we're in, that necessitates structural change in ownership.

To turn this tide, it will not be enough to tweak the regulator or introduce guardrails against the most egregious offences - we need new types of people in the room making decisions. To democratise English water we need public ownership.

Testing the waters

In their first year in office, Labour has taken welcome steps through the Water Special Measures Bill to:

- block bonuses for water company executives who pollute our waterways
- bring criminal charges against persistent law breakers
- impose automatic and severe fines for wrongdoing
- enable independent monitoring of every sewer overflow outlet

In addition to these four main provisions, the Bill will introduce a new statutory requirement for water companies in England to publish annual “pollution incident reduction plans”.

However, there are some glaring holes in this Bill. Despite multiple suggested amendments to the Bill, [it does not protect national parks](#) and other vulnerable ecosystems from sewage spills. When companies do break the rules, just banning bonuses for company executives leaves open plenty of loopholes for billpayer money to be used for purposes outside of the service - namely, in the service of debt and interest payments. It's not clear how this Bill ringfences monies for investment - especially when companies have been known to [get around guardrails and ignore their commitments to upgrades](#).

Even if the government and our regulators could and would enforce the existing and new rules, this Bill is insufficient. As well as the particular holes in the legislation, it is also unclear how this makes a difference given the Bill does not address the reasons why current law is not enforced - **what stops this new legislation from meeting the same fate?**

The government has announced the largest review into the water sector since privatisation, aimed at strengthening regulation, boosting investment and informing further reform. However, in this review they have ruled out exploring other ownership models, instead looking only at reforms to improve the current so-called “privatised regulated model”.

Before we turn to the limitations of that review's approach there are nonetheless important changes that could be implemented without necessarily changing the ownership structure.

The reason we include these is to outline the path that the Labour government could choose to follow. They have already begun taking our energy grid and our railways back into public ownership. There is a blueprint for how this would work. With sewage spills flooding the headlines, surely the time has come for water to join energy and rail back under public control?

Importantly, we don't have to wait for the whole process to make a start. Here are some good things the government could do right now. Before privatisation there were duties of providers around the cleanliness and quality of water. After 1989, and then [again after our exit from the European Union](#), these standards deteriorated - we [abandoned legislation preventing water pollution from building](#), and the [general monitoring standards deteriorated](#). It's possible to reinstate these. Across our international peers, it is standard practice for sewage to be treated twice before released into water ways. This is possible to regulate and make industry standard here too. Similarly, Ofwat could require binding targets around climate adaptation and affordability. We could follow the example of the Netherlands or Ireland and make access to safe, clean water a right to ensure the legal protection of water.

The key to these measures being effective is not just increasing fines, or ratcheting up the financial disincentives for criminal breaches - but clarifying the sanctions for failure. Currently, just like for rail, energy, hospitals, and other businesses delivering public goods, if a company breaches certain parameters, the government takes over the business to ensure service consistency for the public in a process called Special Administration (SA). For water companies, partly because of how bad things are, it is wholly unclear just what circumstances would count as bad enough to merit SA. All water companies operating in England have breached the law. Given that, it's hard to see when SA kicks in - if it ever will. To ensure efficacy, any new legislation must exactly establish a reasonable point at which failure results in SA (e.g. what are the applicable thresholds, how many times are you allowed to fail).

As well as clearly defining the thresholds of Special Administration, the government could also legislate how this transfer might work to lay down the rules that protect the public. In English law there is no general requirement for compensation to companies in the process of SA - it has to be specifically negotiated for every time. There are certainly no rules that a company has to be compensated at market value when they are taken into public ownership, but there is a long history of minimal to no compensation to companies - most famously when Northern Rock was nationalised in 2008. Our government could commit to not only when SA should happen, but that SA would mean banks and shareholders don't get a penny more of our money. Given this is possible, the question ceases to be: how much will it cost us? Instead, we pivot to ask: **is our Labour government on the side of Wall Street vulture funds or are they on the side of the British people?**

Another measure needed to effectively regulate failing companies is to bring the right of 25 years notice to terminate their licenses back down to a reasonable time period. This would allow the government the ability to actually terminate contracts when companies fail. Without these measures to give our regulators actual tools to threaten monopolies, we will be stuck in a cycle of failure with taxpayer and billpayer money used to prop up a damning industry.

So, between reinstating high standards of water quality, requiring binding affordability targets, clearly laying out the thresholds of Special Administration, and reducing licence notices, there are some clear, tangible and impactful next steps that the government could take before it looks seriously at public ownership.

But that's just a good start. To really change things, we need to put power over the future of water back where it belongs - in the hands of people and our parliament. Here's why public ownership would address these issues and many more, guaranteeing a path to long-term, sustainable water management.

Time to rock the boat

While we have laid out the changes that are open to our government without changing the ownership and governance structure of water companies, this would be the equivalent of painting over mould - the scale of the problem will grow, and properly fixing it will only become harder. Privatisation isn't failing - it is the failure.

While we have privatisation and a profit incentive, we'll always be getting fleeced - it's just a question of by how much. While they're allowed to extract profit instead of investing, we'll never get to a system that's managed in the interests of people and the planet.

Legally, while our regulator is beholden to their bottom line, it can never enforce the standards we want. We have to change the incentives, and the logic by which the system operates: public good, democratic control and ecological stewardship - not profit - should orientate our management of our water system.

If water companies were regulated to the point where the water industry met benchmarks for water quality, environmental regulations, and affordability then these companies wouldn't make profit. Some have argued that these companies are financially reliant on being able to get away with illegal sewage dumping. **Their business model depends on being able to pollute.** If they had to comply with the level of regulation we would need to keep our waterways clean, they couldn't make money in the same way and would be insolvent. In short, water does not generate profit when it's a resource for people and the planet - only when those obligations are cast aside is it possible to make money for shareholders and bosses.

Sharpening the teeth of the regulator without addressing the broken business model leaves the fundamental problem in place - it just delays the inevitable.

There is some political appetite in the Department for Environment, Food & Rural Affairs, and it is the official policy of the Liberal Democrats, to reform English water in the shape of the Welsh system of 'not-for-profit companies'. As deftly pointed out in [a UNISON report](#), the advocates of this model "ignore the fact that any such companies would require 100% government guarantees to raise any funds, and so – like Network Rail – would be rapidly reclassified as public sector companies anyway, as well as the fact that the private companies' shareholders would expect just as much compensation for this as for transfer to public ownership". It also just does not seem to solve the problems we have. Rampant wealth extraction and poor service are present in the Welsh water companies - where illegal sewage spills are [also troublingly common](#), and executive bonuses have [reached almost £1m](#).

This is not something that we can shunt to the bottom of our government's (albeit very long) "to-solve" list. Water access and our water system are set to come under tremendous strain as a result of climate change. We have a more volatile and extreme climate coming our way. Depending on where you are it will be warmer, colder, wetter, and/or drier. We need public ownership to ensure democratic oversight of water, not just to protect citizens and workers, but for effective climate mitigation and adaptation policies. The systems that can best adjust to particular geographies and local climates are regional public bodies that control water. Cape Town managed to cope with a historic drought and reduce total consumption [by 55% without any cuts](#) - thanks to the data and power they had over water as a public utility.

Examples abound of unique and creative reactions and solutions to changing climates around the world. The shared feature of these solutions are the motive to protect people and nature, not to maximise the profit margin. Success stories share a common thread, especially in times of crisis, where acting quickly is key - resources are called on and allocated by people, for their interests.

If parts of England are going to run out of water within a generation, scrapping this broken system is not something that can wait.

When we talk about public ownership we're often met with the worry that public ownership means nationalising the cost of running our water system, and right now that would mean taking on the burden of the reckless decisions of these companies and their debt to shareholders and banks. This misinformation has been robustly challenged and debunked by defendants of privatisation as well as proponents of public ownership.¹ It also relies on a fundamentally false assumption that at any point private companies will foot the bill for this - they won't.

¹ To read a particularly thorough and skillful explanation of why this is legally and economically false, see page 24-25 of [UNISON's recent report](#).

We are throwing good money after bad. By staying the course in this private regulated model, we are locking ourselves into an exploitative long-term relationship in which we are only set to lose.

There is no question that our water system needs investment. But our choice is not that either companies pay or the state pays. It's whether we pay as customers through bills, or we pay as tax-payers. The government is peddling this dream that companies are footing the bill. They are not and will not. We are. Even if companies source (borrow) the capital, that is allowed because we, as billpayers, underwrite that debt. The question is only whether or not we're also paying for interest to banks and pay-outs for shareholders, and whether we have a seat at the table where decisions are made.

These companies have shown us who they are. For 35 years, they have used a natural resource and natural monopoly to extract wealth, to decrease investment in the infrastructure, and failed at every turn to invest in the resilience we need in the face of a warmer and more volatile world.

The regulators are the other piece of this puzzle, but the more campaigners and journalists have looked into the companies, the more the companies and the regulator are increasingly indistinguishable. There is a 'revolving door' of a small pool of senior staff circling through executive positions. Johnson Cox stepped down as the CEO of Anglian Water in 2010, and then spent a decade as chairman of Ofwat. Similarly, Cathryn Ross was CEO of Ofwat from 2013-17, and then in 2021 became a director of Thames Water. [Analysis done](#) by the Observer in 2023 uncovered that 27 former Ofwat directors, managers and consultants were working in exactly those companies they had regulated, with about half in senior positions. These lucrative career opportunities available to regulators act as an obvious reason for employees to guide companies through the legal loopholes and legislative back and forth that enables them to lessen or dodge the fines. The only thing that can break this cycle is public ownership.

To sum up, the regulators have been defanged to the point of inefficacy and the companies are increasingly uninvestable with the worst companies approaching insolvency and requiring public cash bailouts just to stay afloat. We've been here with Network Rail. Then, the government had the good sense to re-nationalise. They have done the same with crucial energy infrastructure through GB energy. Allowing these companies to limp along for the next 4 years, charging ever-more eye-watering bills, will end in disaster - ecologically, economically, and electorally.

Well-charted waters

To draw from examples where water systems are working well helps illustrate the case for public ownership and lay out a path we could take to get there. A global survey of over 1 million people carried out by PSIRU found that almost 90% of water services in cities polled were in public hands. The 500 largest water systems in the USA serve about 140 million people, with 89% of water systems and 97% of sewage systems being public utilities. England's version of privatisation is absurd and a complete outlier, as well as more expensive and environmentally damaging.

Publicly owned water companies tend to lead to cheaper bills for consumers. In Paris, after taking water back into municipal control and ownership, prices fell by 2.6% between 2010-17, compared with a 174% increase over the 25 years of privatisation. We know that [privately owned water systems have higher water prices and are less affordable](#).

By virtue of being publicly owned, utilities are also cheaper to run - publicly owned utilities are not paying dividends to private shareholders, and can borrow at lower interest rates than private companies. Municipally owned water systems like those in [Paris](#) and [Stockholm](#) are virtually self-financing, and keep bills more affordable than in England.

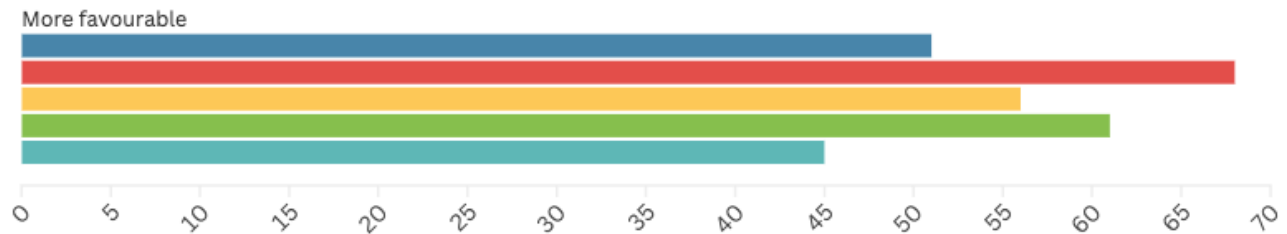
As the examples named in this paper illustrate, public ownership has many guises. Old-style nationalisation that is centrally-controlled is one option - but we argue we can do much better. There are myriad others, from a model where ownership is shared between private and public entities like Reform UK's preferred model to fully public, devolved municipal and regional control like in Berlin. In England we could re-design the regional model we had before privatisation to update to be ready for the challenges ahead (more on this in the next section).

Without defining the form it would take, the polling in favour of public ownership of water is massively popular - with [82% of the public backing nationalisation](#).

As covered in Compass' last report, [Thin Ice](#), Labour's existing voter base **and** its pool of potential progressive voters say that a Labour government bringing water back into public ownership would boost support for Labour.

Would the Labour party supporting bringing the water network back into public ownership make you feel more favourable towards them?

■ All ■ Labour Voters ■ Lib Dem Voters ■ Green Voters ■ Reform Voters



Reform have historically been staunch opponents of most interventions that expand the reach of the state, but have recently U-turned to supporting bringing 50 per cent of all utilities into public ownership. Under their proposals, the other 50% would be owned by “British pension companies”. This is not a mad-dash stab in the dark - they know people are crying out for change, that public ownership of water is immensely popular and are just moving with the tide.

In a recent megapoll of 17,000 people, Hope Not Hate showed that with just a 3% swing from Conservative voters and a 3% from Labour voters, Reform could end up [with 169 MPs next time](#). 136 of these would be taken from sitting Labour MPs. But Reform is going local. They’re aiming to take over local councils before the next General Election and become the party of getting stuff done. Coupled with its popularity, that is one of the reasons they can successfully ride the contradiction between free-market libertarianism and state ownership of utilities. The main takeaway from this recent poll is that Labour needs to be the party of change - and punishing criminal water companies and bringing water bills back into the realm of reason is [one major thing Reform switcher voters are crying out for](#).

Leading the horse to water

There’s clear public outrage about how our water is being mismanaged. There’s also a clear public consensus that the current system does not work. If the government fails to act, **this will further undermine people’s flailing faith in democracy**. With the rise of the far right, the failure of democracy is not something we can afford.

We have to stop water mismanagement, and that can only be done through systemic change. We have to be honest - this will take years. But people need to see results, or at the very least a direction of travel

and serious intent to bring the situation under control long before the next election.

As covered above, between reinstating high standards of quality, requiring binding affordability targets, clearly laying out the thresholds of Special Administration, and reducing licence notices, there are tangible and impactful next steps that could be taken before the government looks seriously at public ownership. More immediately, the government's review could also consider steps to challenge the Ofwat 2025-2030 price review to help with the affordability of water bills. This could include exploring:

- **Price caps:** is there a role for price caps similar to those in the energy sector?
- **How to challenge the bill hikes:** Are there legislative levers that could allow the government's review to challenge Ofwat's 2025-2030 price review and suspend OFWAT's decision-making process into price rises for 2025-2030, until a comprehensive review has been carried out by the government?
- **Public ownership:** how do other types of ownership and governance fare? Is there a case for a long-term vision of public ownership and a commitment to a period of transition?

This doesn't just have to be ideas - nor are we beholden to the government's review. Campaigners, trade unionists, politicians and citizens can act together now to build the infrastructure we might need in the future.

We can start building Emergency or Shadow Boards— citizens, workers from trade unions, locally elected politicians, academic experts, grassroots environmental or other relevant interest groups making decisions collectively about the future of our water. People who have a legitimate democratic mandate to serve people and our environment, at the table together.



At first, those boards could give the public a voice, to show that a different way is possible. As they grow and concretise, they could act to hold companies accountable and push for ownership reform. Then, as reforms happen, they could start setting prices and managing services. Finally, company ownership can be transferred to them, with infrastructure and expertise already set up for water services to run smoothly.

The transfer of ownership can happen on a case by case basis as the infrastructure and these bodies develop, or in cases of particular

breaches of their duties (as laid out in any proper SA process). It could also happen via one larger piece of legislation, as the government did with the transfer of energy infrastructure to GB Energy.

That's a plan. We await to hear from the government's review into water what theirs is.

Here's what we need to do:

Citizens, campaigners, scientists and trade unionists can gather now to create the models of governance we will need tomorrow. We have indicated the shape these boards might take, but it's democracy - it's a bit messy! We might find out along the way what roles, responsibilities, and expertise we need. We need to prefigure those boards and hold those discussions now to form a coherent, progressive vision for what we want from our water providers.

From the government, the first thing we need is **serious action to clamp down on water companies** to stop them taking us for a ride now. The recent Thames Water bailout is a sham. Handing over £3bn of public money to be used to pile on debt to an already cumbersome debt bill does not address the problems. This is just one situation where the government has levers to lay down the law and set a precedent that the public and the taxpayer are not footing the bill for companies' mistakes. As discussed in the paper, they could also reinstate high standards of water quality, require binding affordability targets, clearly lay out the thresholds of Special Administration, and reduce licence notices.

At the very least, we need the government to lay out the next steps for this process and give a clear direction of travel towards change. We need **a real plan from the government on how to reform our regulators** Ofwat and the Environmental Agency. During their review, they should **commit to properly explore the different models of ownership and governance.**

Conclusion

We are up a sewage filled creek - but we actually have a few paddles.

As Clive said in the foreword, we have to be honest that finding our way out of this mess will take time. But the scale of the problem means change is now inevitable. It is up to us to steer that change to the good of people and our planet.

Because while the question of ownership of water is about infrastructure, investment, governance and resources, it is also a fundamental question of democracy and a test of the mettle of this government.

Internationally, other countries and cities have made this shift. We would be the latest in a long line. The exact circumstances vary from place to place - but the story of privatised water is the same the world over. Profit is prioritised over all else - and eventually our purses, our rivers, and our patience runs dry.

That's a fate this Labour government, along with our waterways, won't survive intact.

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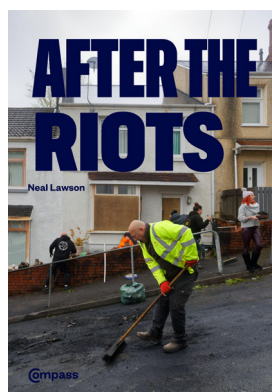
The New Settlement: For a Better Society

Almost everyone recognises that we are at a turning point. Unless we transform our economy and our democracy, we will face a downward spiral.

The 2024 General Election result brings a welcome relief to UK politics. Some better ideas and people are at the helm. But we desperately need a new paradigm. *The New Settlement: For a Better Society* seeks to establish the guiding principles and building blocks of a society that is much more equal, democratic and sustainable.

After the Riots

The aftermath of the recent riots leaves a country grappling with deep-seated issues that extend far beyond the immediate violence. The sickening flames of the riots may have burned themselves out, but the embers of hatred, frustration, and alienation still shimmer under the ashes. The violence has subsided for now, but it's not hard to see, given the context, how something similar, worse even, might arise again - and soon.



Without a comprehensive response, we risk falling into a pattern of "sticking plaster politics," where the true causes of unrest are neglected. This report delves into some of the root causes of these riots, including economic disparity, cultural tensions, and political disillusionment, and asks how we can prevent future unrest.



New Horizons: Reconsidering Britain's Role in the World

Britain urgently needs to redefine its purpose on the world stage. In a world marked by escalating crises — climate change, inequality, authoritarianism, and conflict— the challenge at hand is huge.

In *New Horizons: Reconsidering Britain's Role in the World*, Clare Short, former Labour MP and Secretary of State for International Development from 1997-2003, takes a critical look at the UK's current foreign policy and suggest how we can take a more constructive role on the global stage.


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