

# Editorial

## Water Privatisation

The Government's continuing difficulty in winning public confidence for its massive water privatisation programme was brought into sharp focus by the results of an opinion poll published in the *Observer* on June 2. The poll revealed that 79 per cent of the population believed that water should not be privatised, and that 84 per cent of us have no intention of buying any shares in the privatised water utilities. Perhaps even more embarrassingly, a parallel poll of professional fund managers found that 59 per cent of those interviewed believe that water should not be privatised before European standards have been met; 91 per cent of respondents had not, at the time they were interviewed, set aside specific funds for investment in water.

The 150 clause Water Bill,\* published last November, quickly ran into stiff parliamentary opposition – some of it from backbench Conservatives. A guillotine had to be imposed in the Commons, and the rare device of the three line whip was used in the Lords.

Justifying the measure, ministers laid great stress upon environmental arguments (the creation of a large regulatory quango, the National Rivers Authority is a centrepiece of the legislation) – yet the most vociferous opposition has come from environmental pressure groups. The European Commission's insistence upon rapid movement towards improved standards of purity has investment implications that cast doubt upon the economic viability of privatisation. On May 15, the Government was defeated in the Lords on Opposition amendments that would set a deadline in September of 1993 for compliance with European drinking water standards. It is of course the consumer who will have to pay the costs of the European clean-up programme, estimated at at least £2bn.

And, if the *Observer* poll is anywhere near to the truth (and of course opinion will change, one way or another, once the immediate reality of privatisation is upon us), then it appears that the consumer (and would-be share buyer) is deeply unhappy about the prospect of big bills to cover the necessary

investment, and sceptical of the likely profitability of the industry. The Euro-elections gave us a glimpse of the powerful message of Green politics; debates on the Water Bill, inside and outside Parliament, have highlighted the poor quality of the product that comes out of our taps – but have so far not done much to reassure an anxious public, or indeed the European Commission, that standards will dramatically improve in the near future. Critics of the Bill have noted that many details of the way in which the privatised industry will be run have yet to be worked out; there is widespread scepticism about the adequacy of the regulatory regime in which this most monopolistic of industries will operate.

The whole exercise, prompted more by dogma than by common sense, was misconceived, and mishandled, from the outset. It would be nice to think that the Government might, for once, bow to public opinion and at least tacitly acknowledge a serious mistake.

\*Now the Water Act 1989, Royal Assent having been granted in July, 1989.