

South Staffs Water: Business Plan 2015-2020

Consultation on Initial Proposals

Consultation Report

18th October 2013

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1. Executive Summary

1.1 Introduction, objectives and methodology

At the 2014 Price Review it will be crucial for every water company to produce a business plan that demonstrates effective customer engagement and provides a balanced reflection of customer and stakeholder priorities given Ofwat's requirements[1].

South Staffs Water (SSW) published its draft business plan on xx September 2013 and launched a consultation of key stakeholders, including domestic and business customers, on the content of the plan. The consultation closed on 4th October 2013.

To facilitate participation by a wide variety of stakeholders including customers, SSW published a summary version of its draft business plan, titled 'The future is your cH$_2$Oice 2015-20'. To promote awareness of the consultation, SSW published the consultation document on its website, contacted customers for whom it had email addresses and sent a hard copy to 500 key customer groups and stakeholders. It also sent out 300 letters and some posters signposting the consultation, to health centres, schools and children's centres, and issued a press release. In addition, customers calling SSW heard a recorded message directing them to the website to respond to the consultation. SSW wished to engage with as many customers as possible and also used their pre-recruited online consumer panel to further widen the reach of the consultation.

To help customers and stakeholders to engage with the consultation, the document provided background information about SSW and explained some of the challenges the company faces. It also summarised the customer research that had been carried out so far and what the company is doing in response.

Each consultation question comprised a closed question ascertaining the consultee's level of agreement and also a 'free text' space encouraging respondents to explain the reasons for their answers or to provide other comments. Graphs and charts in this report should be read in conjunction with verbatim comments made by respondents, which are available in full.

The over-arching objective of this consultation was to gain feedback on key elements of SSW's draft business plan, including the five 'Outcomes' that SSW has identified (described as 'Main Aims' in the consultation document).

[1] *"Involving customers in price setting – Ofwat's customer engagement policy statement."*

In total, consultation responses were received from 983 individuals and organisations. This represents a relatively high response rate from domestic customers to an open consultation of this type. The vast majority (969) of these were household customers, and 14 were businesses or other stakeholders. In total, 525 responses were received from Cambridge Water customers and 446 from South Staffs Water customers, with 12 respondents indicating that they did not know.

SSW commissioned Community Research and Consultancy Ltd (Community Research), an independent company experienced in consultation design and delivery, to help design the consultation questions and to analyse and report on the responses.

It should be noted that the consultation was open to any South Staffs or Cambridge Water customers who chose to respond. As this was an engagement exercise rather than a research exercise and those who chose to respond are, by their very nature, self-selecting, the results cannot be extrapolated and assumed to represent the views of all customers.

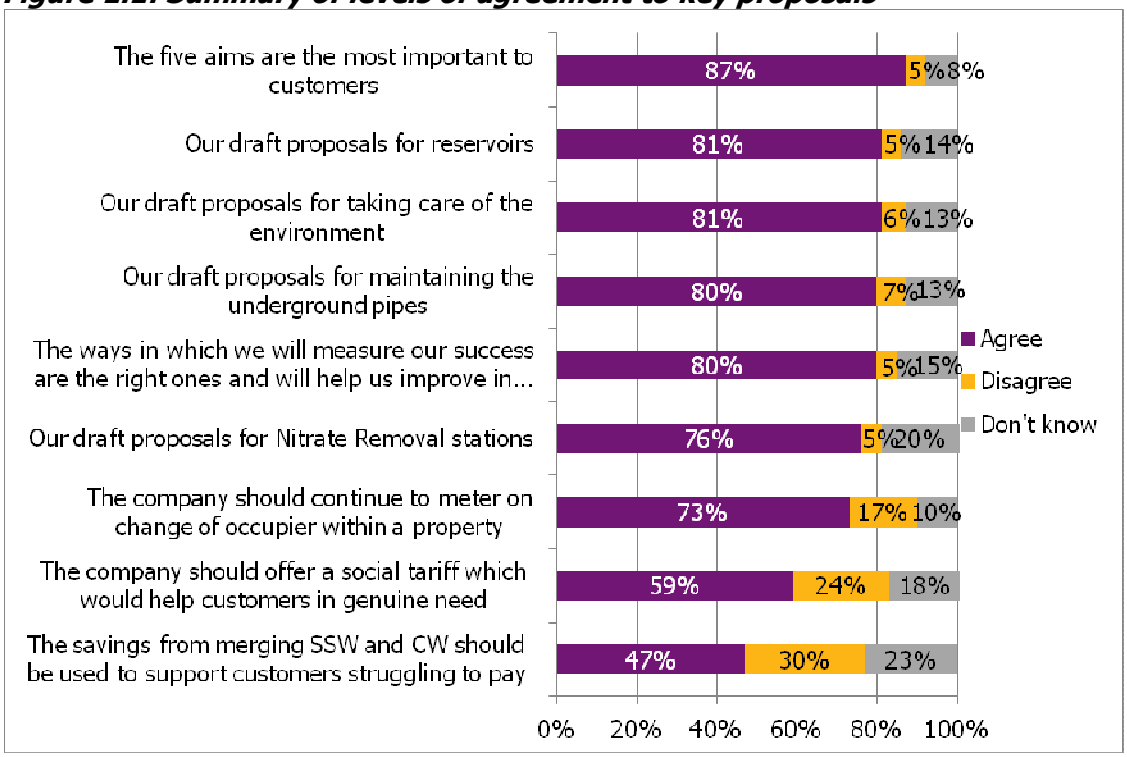
Overall, respondents appear to have been keen to have their views heard which is evidenced by the number and quality of 'open' responses given to supplement answers to the closed questions.

1.2 Key findings

Consultees were generally positive, for the most part agreeing with the proposals set out in the consultation document, although respondents in the South Staffs region had lower levels of agreement than was true in the Cambridge region, in a number of areas.

There was a high level of agreement with the 'Main Aims' and how they will be measured. Consultees were then asked about the company's proposals for five specific areas (metering, the environment, underground pipes, nitrate removal stations and storage reservoirs). Respondents gave the most positive response to plans for investing in reservoirs, underground pipes and the environment. When asked about helping customers who are in need or struggling to pay their water bills by means of a social tariff or using merger savings, there was less support although just 59% and 47% of respondents indicated agreement respectively.

Figure 1.1: Summary of levels of agreement to key proposals



Base: All respondents (983)

1.2.1 The five main aims (outcomes) and the proposed measures of success

Consultees were provided with brief details of the five main aims and SSW's proposals for measuring the company's success in achieving these. They were asked whether they agreed or disagreed that these five aims were the most important to customers:

- Excellent water quality (now and in the future)
- Secure and reliable supplies (now and in the future)
- Delivering an excellent customer experience to customers and the community
- Operations that are environmentally sustainable
- Fair customer bills and fair investor returns

Across all types of respondent the vast majority (87%) agreed that these aims reflect what is important to customers. The main themes of comments made by those who agreed were that the aims cover what matters most to customers, will keep prices fair and maintain water quality. Five per cent (46 respondents) said they disagreed that the aims were the right ones; the most frequent comments from these consultees were that they were not concerned about investor returns; the most important aim was to keep bills affordable and prices fair and they saw the aim of achieving fair investor returns as potentially conflicting with this.

Consultees were then asked whether they thought the proposed measures of success[2] were the right ones, and would help the company to improve in the future. Over three-quarters of respondents (80%) agreed with the proposed measures of success. Almost a quarter of the comments made by those in agreement related to the measures being appropriate, fair and measurable. Five per cent disagreed that the proposed measures of success were the right ones, with a further 15% saying that they did not know. The most frequent reason given for disagreement was that the measures were not quantifiable or specific enough.

1.2.2 The company's proposals for 2015-2020

The consultation document summarised SSW's proposals for investment in five key areas:

- Metering
- Taking care of the environment
- Maintaining underground pipes
- Major spending on Nitrate Removal stations
- Major spending on storage reservoirs

Consultees were asked whether they agreed or disagreed with each proposal. If they disagreed, they were asked to indicate whether the company should be doing 'more', 'less', or 'something different'.

Metering

Consultees were asked for their views on whether the company should continue to install meters in properties when a change of occupier occurs. A majority of respondents (73%) agreed that this should continue, although the level of agreement in the South Staffs area (63%) was considerably lower than in the Cambridge region (82%). Customers who have a meter were substantially more likely to agree (88%) than those without a meter (51%).

Of those who disagreed with the company's proposals for metering, a small proportion (13%) thought that SSW should be doing more metering.

- Most of these were in the South Staffs region.
- More than a third (37%) thought the company should be doing less metering, and half (50%) thought something else should be done. Of the latter, around one-third indicated that they were not sure or did not know what should be done.

The most frequent reasons given for agreement were that metering is the fairest way to charge people for what they use, and that it encourages people to think about how much water they are using, promoting conservation. Half of those

[2] South Staffs Water: *The future is your cH$_2$Oice 2015-20. Consultation on initial proposals,* p.11-12

who disagreed with the company's proposal for metering said that they believed customers should have a choice.

Taking care of the environment

Consultees were asked for their views on the company's draft proposals for taking care of the environment.[3] The majority of respondents in all categories (81%) agreed with the proposal, with the level higher in the Cambridge region.

- Those in agreement gave reasons such as corporate responsibility and the need to protect the environment generally.
- Some of the small proportion (6%) who disagreed, made comments about wanting care of the environment to be cost neutral to customers and that it should not be the company's responsibility.
- Of those who did not know, nearly a quarter (23%) said the subject was too complicated or that they did not have enough knowledge or information.
- Of the 57 respondents (or 6%) who disagreed with the proposal, 42% felt that the company should be doing more and 30% felt that they should be doing something different.

Maintaining underground pipes

Consultees were asked for their views on the company's draft proposals for maintaining underground pipes.[4]

- A majority of respondents (80%) agreed with SSW's plan to do more maintenance on its trunk mains and slightly less on smaller pipes.
- A quarter of the comments made by those in agreement related to this investment being essential to maintain service.
- Of the proportion who disagreed (7%), some expressed concern that maintenance of the smaller pipes may suffer, and others thought the company should be doing more, to save costs in the long term and prevent future failures.

Major spending on Nitrate Removal stations

Consultees were asked whether they agreed with proposals for major spending on up to four Nitrate Removal stations, to help achieve secure and reliable water supplies, now and in the future. Most respondents (76%) agreed, although the level of support in the Cambridge area (82%) was higher than in South Staffs (69%).

- Of those who disagreed with the proposals for Nitrate Removal stations, nearly half (46%) thought the company should be doing something different. One-fifth said that they did not know.
- Comments made indicated that those who agreed did so in the main because they believe drinking water quality and safety are important, with

[3] South Staffs Water: *The future is your cH$_2$Oice 2015-20. Consultation on initial proposals,* p.16.
[4] South Staffs Water: *The future is your cH$_2$Oice 2015-20. Consultation on initial proposals,* p.17.

some mentioning the use of nitrates in agriculture. More than a third of those who disagreed with the proposals said that agricultural nitrate use should be reduced or that customers should not have to pay for nitrate removal.

Major spending on storage reservoirs

Consultees were asked for their views about major spending on up to four storage reservoirs.[5] Support for this proposal was 81% overall. A higher proportion (84%) of Cambridge respondents agreed than those in South Staffs (77%). Among the 5% who disagreed with the proposal, there was a fairly even split between those who wanted the company to do 'more', 'less' or 'something different'.

1.2.3 Helping customers

This section of the consultation document mentioned some of the initiatives already in place to assist customers who may struggle to pay their water bills. It explained two possible ways in which SSW might provide additional help. Firstly to introduce a 'social tariff' tariff which would help customers in genuine need to afford their water bills. This would require the support of other customers, as it would mean a small addition to their bills. Secondly, to use the savings made when merging SSW and Cambridge water.

Social tariff

The idea of introducing a social tariff was an area with one the lowest levels of support, although even here more than half (59%) of respondents said they agreed with the company's proposal. Almost a quarter (24%) disagreed. Respondents in the lowest and highest income brackets were most likely to say they supported the proposal for a social tariff.

Using merger savings

When asked if the savings from merging South Staffs Water and Cambridge Water should be used to support customers struggling to pay water bills, almost half (47%) agreed and just under a third disagreed, with one-fifth answering 'don't know'. Opinions varied from this suggestion being a good use of the savings, helping those in need, to the idea that the savings should be used to reduce all bills.

It is possible that some respondents agreed with this statement because they misinterpreted as reducing costs for all customers (as many are struggling) or they had a different, looser interpretation of 'struggling' than the company intended to imply.

[5] South Staffs Water: *The future is your cH$_2$Oice 2015-20. Consultation on initial proposals,* p.19.

Consultees were asked if there was anything else they thought SSW should do to help vulnerable customers afford their water bills. Suggestions mostly related to the need to provide cost reduction advice and products, for example water butts, water saving devices, free surveys and budget advice.

1.2.4 Price increase

The section 'What will happen to your water charges from 2015?'[6] explained the impact that SSW's investment proposals would have on customers' water bills. It also explained the steps taken by the company to keep bill increases as low as possible.

Consultees were asked for their views on how acceptable a 2% (£3) water bill increase by 2020 would be (with the question highlighting that, including future inflation, the increase would be a further £22)[7]. Across all respondents, 52% said that this increase would be acceptable. Nearly a third (31%) said that it would be unacceptable, and 17% said they did not know. Customers in the Cambridge region (60%) were considerably more likely find the increase acceptable than those in the South Staffs region (43%).

When responses are analysed by income bracket, the highest proportion who said the increase would be acceptable (68%) were those with a combined household income of £70,000-£99,999. Those with combined household incomes of less than £30,000 and those who preferred not to divulge their income, were less likely to find the increase acceptable than other groups (47% for those with incomes of less than £15,000; 49% for those with incomes of £15,000 - £29,999 and 46% for those who preferred not to say).

[6] South Staffs Water: *The future is your cH$_2$Oice 2015-20. Consultation on initial proposals,* p.20, 21.

[7] More detailed and robust customer research is being conducted on the acceptability of the price increase separately

2. Introduction, Objectives and Methodology

2.1 Introduction

At the 2014 Price Review it will be crucial for every water company to produce a business plan that demonstrates effective customer engagement and provides a balanced reflection of customer and stakeholder priorities given Ofwat's requirements[8].

Prior to producing its draft business plan, SSW asked more than 1,500 household customers and 400 business customers for their views. They heard from them via surveys, workshops, interviews and focus groups on topics such as how satisfied they are with the company's service and what they think is important for the future. SSW also set up a Customer Challenge Group which has representatives from the Environment Agency, local councils and businesses and the Drinking Water Inspectorate.

Taking into account the views it had received to date, South Staffs Water (SSW) published its draft business plan on xx September 2013 and launched a consultation of key stakeholders, including domestic and business customers, on the content of the plan. The consultation closed on 4th October 2013.

To help customers and stakeholders to engage with the consultation, the document provided background information about SSW and explained some of the challenges the company faces. It also summarised the customer research that had been carried out so far and what the company is doing in response.

In total, consultation responses were received from 983 individuals and organisations.

SSW commissioned Community Research and Consultancy Ltd. (Community Research), an independent company experienced in consultation design and delivery, to help design the consultation and to analyse and report on the responses.

Overall, respondents appear to have been keen to have their views heard, which is evidenced by the number and quality of 'open' responses given to supplement answers to the multiple choice questions. A selection of these verbatim responses is included in this report.

[8] *"Involving customers in price setting – Ofwat's customer engagement policy statement."*

2.2 Objectives

Listening to customers is crucial to SSW in achieving a fair outcome to the price setting process and ensuring it delivers a service that meets customers' expectations. The Company wanted to hear customers' views on its draft business plan before submitting the final plan to the economic regulator Ofwat at the end of 2013.

The over-arching objective of this consultation was to gain feedback on key elements of SSW's draft business plan, including the five 'Outcomes' that SSW has identified (described as 'Main Aims' in the consultation document).

2.3 Methodology

To facilitate participation by a wide variety of stakeholders including customers, SSW published a summary version of its draft business plan, titled 'The future is your cH_2Oice 2015-20'. The style and tone of this document was designed to make the company's business plan accessible to everyone.

To promote awareness of the consultation, SSW took the following actions:

- Published the consultation document on its website on xx September 2013, with details of how to take part in the consultation.
- In the Cambridge region, emailed a link to the consultation to customers for whom it had email addresses (xxx in total).
- Sent a hard copy of the consultation document to 500 key customer groups and key stakeholders.
- Sent out 300 letters and also some posters signposting people to the consultation to locations such as health centres, schools and children's centres.
- Issued a press release out to various media.
- When customers called SSW, they heard a recorded message directing them to the website to respond to the consultation.
- Used the company's online consumer panel in the SSW region to further widen the reach of the consultation. In early 2013 SSW had commissioned a bespoke panel of domestic customers and future customers who are also part of a wider national market research panel. Each SSW panellist is a customer or future customer of the company and has agreed to be part of the SSW consumer panel. A link to the consultation was sent to all 1,000 SSW panel members, and 414 completed the consultation questionnaire.

There were 11 main consultation questions, some with a supplementary question (see Appendix A for the full questionnaire). Each consultation question comprised a closed question (e.g. agree, disagree, don't know) and a 'free text' space encouraging respondents to explain the reasons for their answers or to provide other comments. All the verbatim comments have been coded into a number of

categories in order that results could be quantified. All charts and graphs in this report should be read in conjunction with the verbatim comments. A selection of comments has been included; full lists of all comments are available separately to this report.

2.4 Breakdown of responses

In total, 983 completed consultation responses were received. Of these, 980 were submitted via the internet using the online questionnaire. 414 of these online responses were from SSW online consumer panellists. An additional 3 responses were received in paper format. All completed responses have been analysed and the comments summarised in this report.

This represents a relatively high response rate from domestic customers to an open consultation of this type. Of the responses, 969 respondents were from domestic customers, and 14 were business customers or other stakeholders. In total 525 responses were received from Cambridge Water customers and 446 from South Staffs Water customers, with 12 respondents indicating that they did not know which company was relevant.

The vast majority of respondents were billpayers, with only 35 indicating that someone else pays their household's water bill.

An additional 664 people (108 from the panel and 556 others) began to fill in the questionnaire online but did not complete it. The vast majority dropped out very early in the process (most after saying only which region they were in, without answering any further questions). Only a small number continued as far as the third question, on metering). After discussion with SSW, a decision was made to exclude the incomplete responses from the analysis and reporting so that results are based on respondents who have experienced the whole consultation.

Note on reading the report

It should be noted that the consultation was open to any South Staffs or Cambridge Water customers who chose to respond. As this was an engagement exercise rather than pure research and those who chose to respond are, by their very nature, self-selecting, the results cannot be extrapolated and assumed to represent the views of all customers. The results are not based on any sampling method or quotas, so the responses do not necessarily match the demographic profile of the customer base.

The figures quoted in the tables and charts are percentages unless otherwise stated. Base sizes on which percentages are calculated are provided at the bottom of the chart or table. Percentages may not sum to 100% in all instances on account of rounding.

3. Key Findings

3.1 The five aims (outcomes) and the proposed measures of success

Following a research programme with customers and stakeholders, SSW's draft business plan identified five main aims that would help to achieve the things that customers have said are most important. It also described the measures of success that could be used as indicators of how well the company achieves these aims.

3.1.1 Aims (outcomes)

Consultees were provided with brief details of the five aims and SSW's proposals for measuring the company's success in achieving the aims. They were asked whether they agreed or disagreed that these five aims were the most important to customers. The aims were:

- Excellent water quality (now and in the future).
- Secure and reliable supplies (now and in the future).
- Delivering an excellent customer experience to customers and the community.
- Operations that are environmentally sustainable.
- Fair customer bills and fair investor returns.

Across all types of customers (household and non-household) the clear majority (87%) agreed that these aims were the most important to customers. Amongst businesses and other stakeholders, 13 of the 14 also agreed.

The main themes apparent from comments made by those who agreed that these aims do reflect what is important to customers, were that the aims cover what matters most to customers and that the focus on keeping prices fair, maintaining water quality and on environmental issues/sustainability resonate well. Some typical example comments are as follows:

> *"People expect a constant supply of drinking water for a fair price. That is certainly the most important factor to me, and they are all addressed in your aims." Household customer, Cambridge.*

> *"I agree with the aims, low bills will be what most people are concerned about." Household customer (panellist), South Staffs.*

> *"Quality is a major consideration in all walks of life and your 5 aims appear to aim for top quality in different spheres." Business customer, Cambridge.*

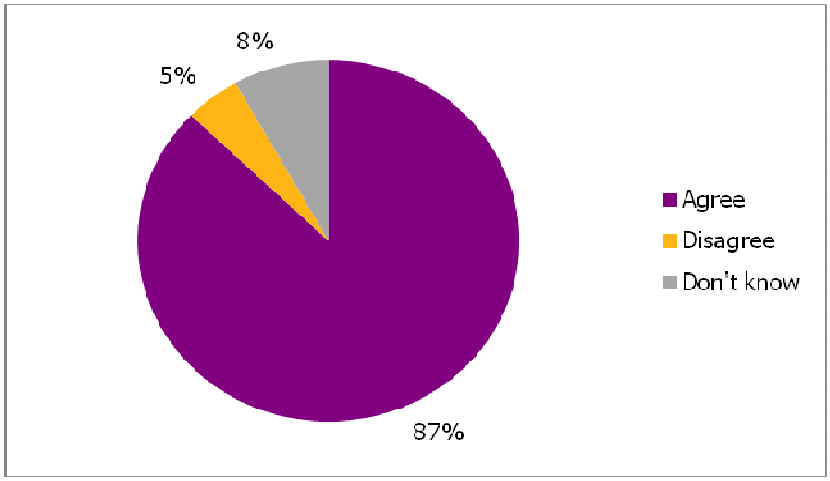
Five per cent (46 respondents) of consultees said they disagreed that the five aims were the most important to customers. The most frequent comments from

these consultees were that they were not concerned about investor returns. For many of those that disagreed with the stated aims, the most important aim was to keep bills affordable and prices fair and they saw the aim of achieving fair investor returns as potentially conflicting with this.

> *"Fair investor returns are not important to me as a customer." Household customer, Cambridge.*

> *"The most important aims are availability, quality, lowest possible price. As a customer I am not concerned about shareholders' returns." Household customer, Cambridge.*

Figure 3.1: Do you agree or disagree that the five aims are the most important to customers?



Base: all respondents (983)

3.1.2 Measures of success

Consultees were then asked whether they thought the proposed measures of success[9] were the right ones, and would help the company to improve in the future. A high proportion of customers (80% across all categories) agreed with the proposed measures of success. Amongst businesses and other stakeholders, 10 of the 14 agreed.

Almost a quarter of the comments made by those in agreement related to the measures being appropriate, fair and measurable.

> *"If you live by your measures then water quality and service will improve." Business customer, Cambridge.*

[9] South Staffs Water: *The future is your cH$_2$Oice 2015-20. Consultation on initial proposals,* p.11-12

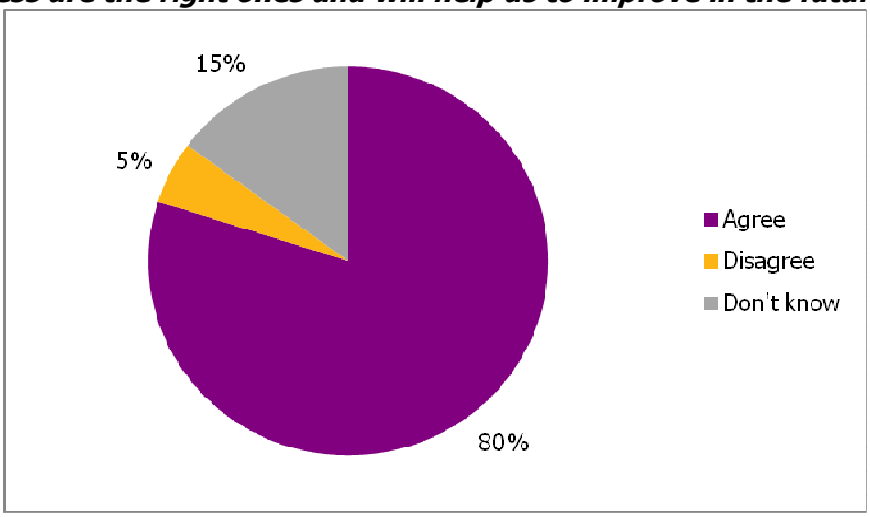
"Your measures seem fair and will benefit everyone." Household customer (panellist), South Staffs

Five per cent disagreed that the proposed measures of success were the right ones, with a further 15% saying that they did not know. The most frequent reason given for disagreement was that the measures were not quantifiable or specific enough.

"Assuming they are measurable - some of them sound a bit woolly but hopefully just as this is a summary." Household customer, Cambridge

"In my view there are too many, some of which are almost impossible to measure in a meaningful way, e.g. "working with farmers etc" or "our involvement with the local community." Household customer, Cambridge.

Figure 3.2: Do you agree or disagree that the ways in which we will measure our success are the right ones and will help us to improve in the future?



Base: all respondents (983)

3.2 The company's proposals for 2015-2020

The consultation document summarised SSW's proposals for investment in five key areas[10]:

- Metering.
- Taking care of the environment.
- Maintaining underground pipes.
- Major spending on Nitrate Removal stations.
- Major spending on storage reservoirs.

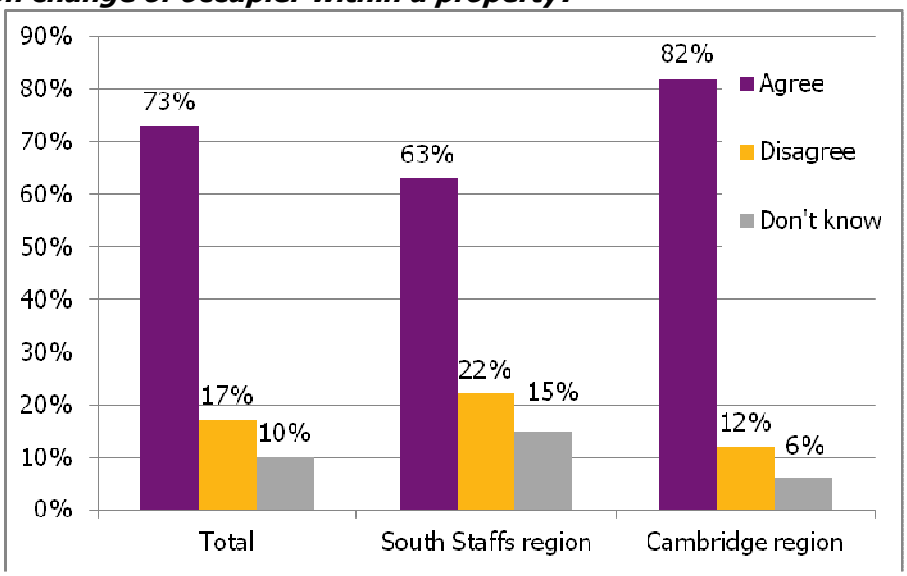
[10] South Staffs Water: *The future is your cH$_2$Oice 2015-20. Consultation on initial proposals,* p.15-19

Consultees were asked whether they agreed or disagreed with each of the five proposals. If they disagreed, they were asked to indicate whether the company should be doing more or less, or something different. In each case, they were given the opportunity to provide free text comments to explain their answer.

3.2.1 Metering

Consultees were asked for their views on whether the company should continue to install meters in properties when a change of occupier occurs. Nearly three-quarters of respondents (73%) agreed that this should continue, although the level of agreement in the South Staffs region (63%) was considerably lower than in the Cambridge region (82%). This seems to reflect the differing levels of metering penetration in each region.

Figure 3.3: Do you agree or disagree that the company should continue to meter on change of occupier within a property?

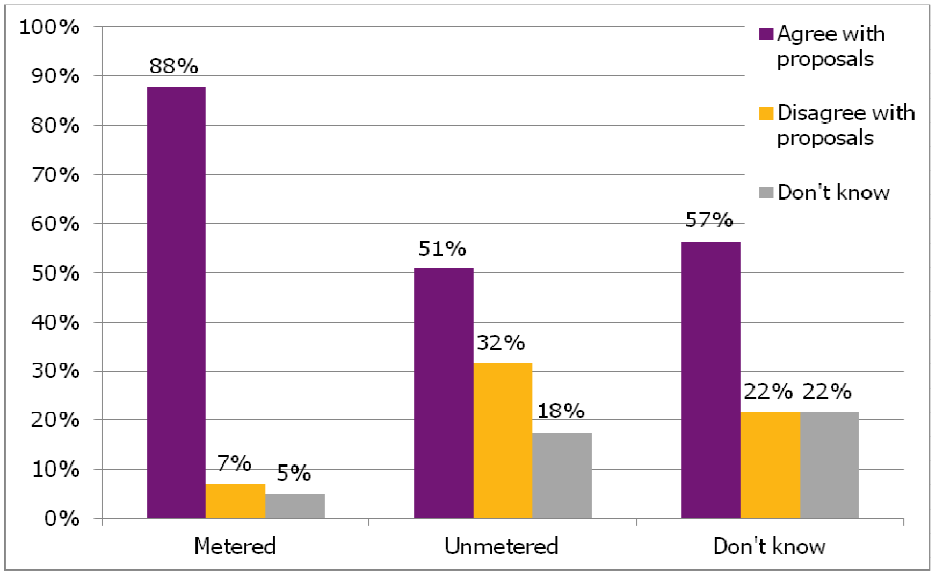


Base: all respondents (983), split by region (525 in Cambridge; 446 in South Staffs)
*Note that 12 respondents said they did not know which water supply region they were in.

Amongst businesses and other stakeholders, 11 of the 14 agreed.

Customers who said they have a meter were substantially more likely to agree with this aspect of the Draft Business Plan (88% compared with 51% of unmetered respondents).

Figure 3.4: Views of metered vs unmetered customers



Base: all respondents (983)

The most frequent reasons given for agreement were that metering is the fairest way to charge people for what they use, and that it encourages people to think about how much water they are using, promoting conservation.

> *"Water is a valuable resource. Meters allow for high users to be identified, and for those who use most water to pay for it." Domestic customer, Cambridge.*

> *"A good way of increasing the number of meters being installed and therefore ensuring customers pay for what they use and do not waste water/do more to increase their use of rainwater/grey water." Domestic customer (panellist), South Staffs*

Of those 165 respondents who disagreed with the company's proposals for metering, 13% thought that SSW should be doing more metering (17% in South Staffs and 6% in Cambridge). More than a third (36%) thought the company should be doing less metering, and half thought something else should be done. Of the latter, around one-third indicated that they were not sure or did not know what should be done.

Half of those who disagreed with the company's proposal for metering said that they believed customers should have a choice, as did many of those who would prefer 'something else'. There was also some concern that more emphasis on metering could put prices up.

> *"Consumers should be able to choose if they have a meter." Domestic customer, Cambridge.*

"Water meters are going to put up the cost in my view and if a person moves, the meter stays in the house so the new owners get no choice I am not sure about that." Domestic customer (panellist), South Staffs.

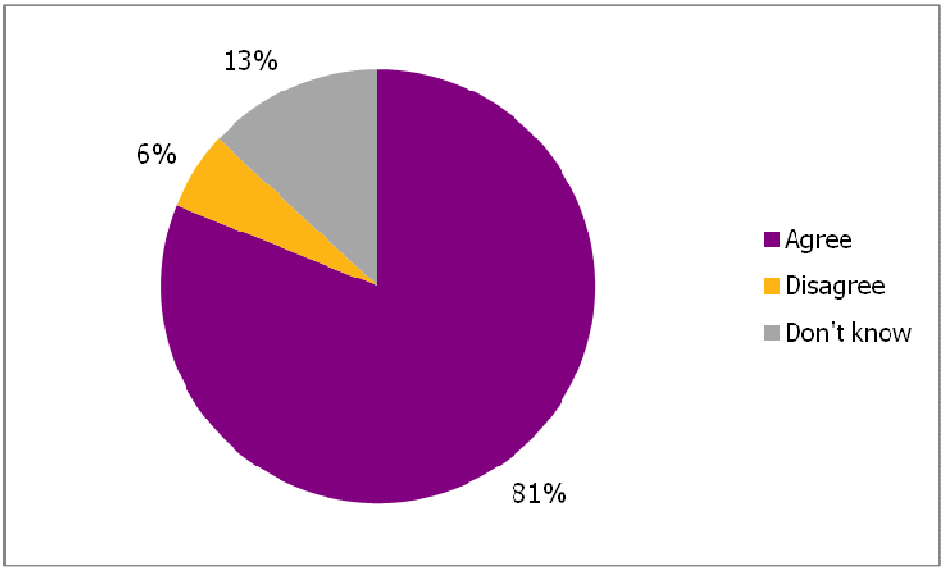
"Offering the option to new occupiers but not making it compulsory as those in larger households are often better off without meters." Domestic customer, Cambridge

3.2.2 Taking care of the environment

Consultees were asked for their views on the company's draft proposals for taking care of the environment.[11] The majority of respondents in all categories (81%) agreed with the proposals, with the level slightly higher for the Cambridge region (84% compared with 78% in South Staffs).

Amongst businesses and other stakeholders, 11 of the 14 consultees agreed.

Figure 3.5: Do you agree or disagree with our draft proposals for taking care of the environment?

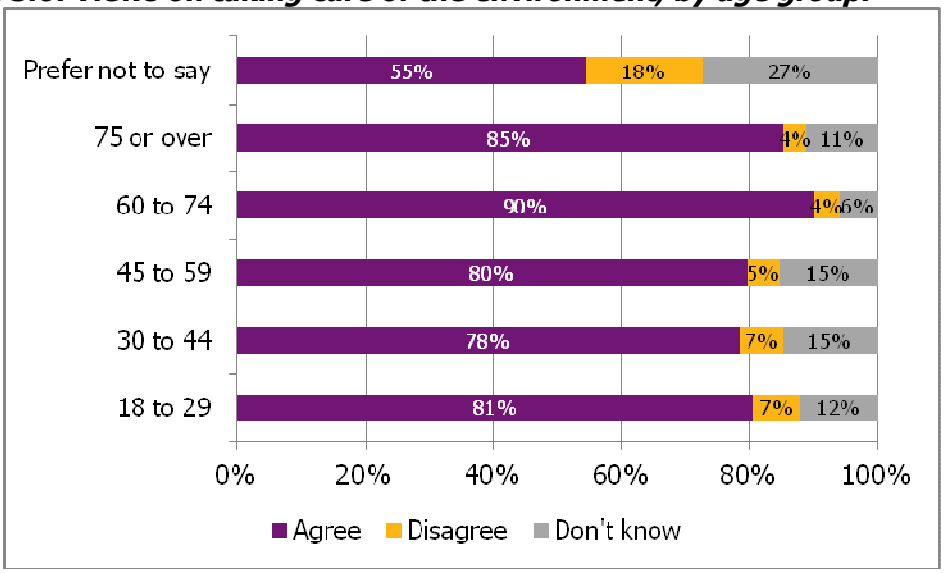


Base: all respondents (983)

Respondents in older age groups were more likely to agree with the company's proposals on the environment than younger people, as Figure 3.6 shows.

[11] South Staffs Water: *The future is your cH$_2$Oice 2015-20. Consultation on initial proposals,* p.16.

Figure 3.6: Views on taking care of the environment, by age group.



Base: all respondents (983) split by age

Those in agreement gave reasons such as corporate responsibility and the need to protect the environment generally.

> *"Climate change is going to give East Anglia in particular a more fragile ecology in future years. You will be key in preserving the environment." Business customer, Cambridge.*

> *"It is most important that South Staffs has the environment in their proposals. We need to take care of the environment." Domestic customer, South Staffs.*

Some of the small proportion (6%) who disagreed made comments about wanting care of the environment to be cost neutral to customers and that it should not be the company's responsibility. Of those who did not know, nearly a quarter (23%) said the subject was too complicated or that they did not have enough knowledge or information.

> *"I agree in principle but it's always an extra cost to customers, the water company makes a very good profit and they should use some of this money to put back into the company to be more environmentally friendly." Domestic customer (panellist), South Staffs*

> *"Don't have knowledge about impact of water companies on the environment, hard for me to understand pros/cons of this proposal." Domestic customer, Cambridge.*

Of the 57 respondents who disagreed, 42% wanted the company to be doing more, 26% less and 30% something different.

3.2.3 Maintaining underground pipes

Consultees were asked for their views on the company's draft proposals for maintaining underground pipes.[12] A majority of respondents (80%) agreed with SSW's plan to do more maintenance on its trunk mains and slightly less on smaller pipes. Amongst businesses and other stakeholders, 9 of the 14 agreed, with 3 indicating that they did not know.

A quarter of the comments made by those in agreement related to this investment being essential to maintain service, and many mentioned the need to reduce leakage and to take preventative action.

> *"While I applaud your proposals, I await to see actions. In my area there have been two quite prolonged leaks that despite several phone calls, took almost 3 weeks before anything was done." Domestic customer (panellist), South Staffs.*

> *"…make sure you do it in a timely but efficient manner - nobody wants their road dug up twice because you didn't do the job properly in the first place. And the reason for duplication the majority of times is the failure of good planning and implementation the first time round." Business customer, Cambridge.*

Of those who disagreed (7%), some expressed concern that maintenance of the smaller pipes may suffer, and others thought the company should be doing more, to save costs in the long term and prevent future failures.

> *"Should be replacing both trunk and smaller mains. Losing less water is better for the environment and for future costs." Domestic customer (panellist), SSW.*

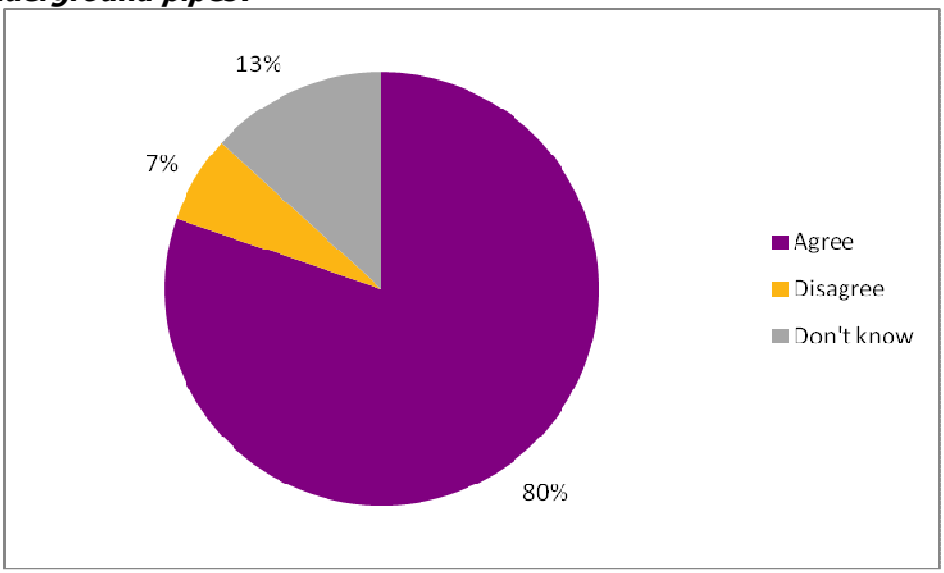
> *"What about leak reduction - the money should go to whatever size of main if it is leaking." Domestic customer, Cambridge.*

> *"Current level of problems too high, need to be more active in addressing them." Domestic customer, Cambridge.*

Of the 64 (or 7%) of respondents who disagreed, almost three-quarters (74%) thought the company should be doing more.

[12] South Staffs Water: *The future is your cH$_2$Oice 2015-20. Consultation on initial proposals,* p.17.

Figure 3.7: Do you agree or disagree with our draft proposals for maintaining our underground pipes?



Base: all respondents (983)

3.2.4 Major spending on up to four Nitrate Removal Stations

Consultees were asked whether they agreed or disagreed with proposals for major spending on up to four Nitrate Removal stations, to help achieve secure and reliable water supplies, now and in the future.

Three-quarters of respondents (76% across all categories) agreed, although the level of support in the Cambridge region (82%) was higher than in South Staffs (69%). This possibly reflects the fact that the Cambridge region is more agricultural than the South Staffs region and so respondents may have greater awareness of the issues.

Amongst businesses and other stakeholders, 10 of the 14 agreed, with 3 indicating that they did not know.

Comments indicated that those who agreed did so, in the main, because they believe drinking water quality and safety are important, with some mentioning concerns about the use of nitrates in agriculture. One-fifth of respondents answered 'Don't know'.

> *"For health reasons nitrate removal is essential." Domestic customer, Cambridge.*

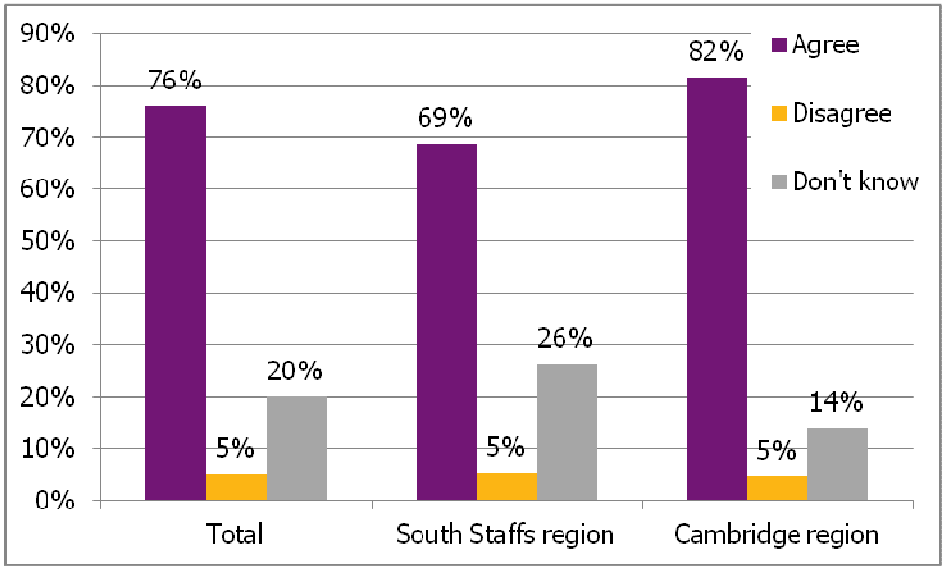
> *"The question of nitrates is a technical matter that few of the general public understand." Domestic customer (panellist), South Staffs.*

Of those (48 respondents) who disagreed with the proposals for Nitrate Removal stations, just under half (46%) thought the company should be doing something different. More than a third of those who disagreed with the proposals said that agricultural nitrate use should be reduced; or that farmers, rather than all of SSW's customers, should have to pay for nitrate removal.

"Not so sure, this should also be taken up by the farmers." Domestic customer (panellist), South Staffs.

"I see nothing here about farmer education - what are you doing to encourage alternatives to nitrate-rich fertilisers?." Business customer, Cambridge.

Figure 3.8: Do you agree or disagree with our draft proposals for Nitrate removal stations?



Base: all respondents (983), split by region (525 in Cambridge; 446 in South Staffs)
*Note that 12 respondents said they did not know which water supply region they were in.

3.2.5 Major spending on up to four storage reservoirs

Consultees were asked for their views about major spending on up to four storage reservoirs.[13] Support for this proposal was 81% overall. A slightly higher proportion (84%) of Cambridge respondents agreed, as compared to those in South Staffs (77%). Amongst businesses and other stakeholders, 12 of the 14 agreed with this aspect of the Draft Business Plan.

In the main, those who agreed did so because they thought the spending was necessary to maintain water supplies and quality. A number mentioned the need to act now to save money and in order to safeguard the future.

[13] South Staffs Water: *The future is your cH$_2$Oice 2015-20. Consultation on initial proposals,* p.19.

"Better idea to replace reservoirs rather than refurbish. But what will happen to the old ones?" Domestic customer, Cambridge.

"Cambridge is a growing region and high-quality reservoirs are essential for meeting your declared goals. Only makes sense to invest." Domestic customer, Cambridge.

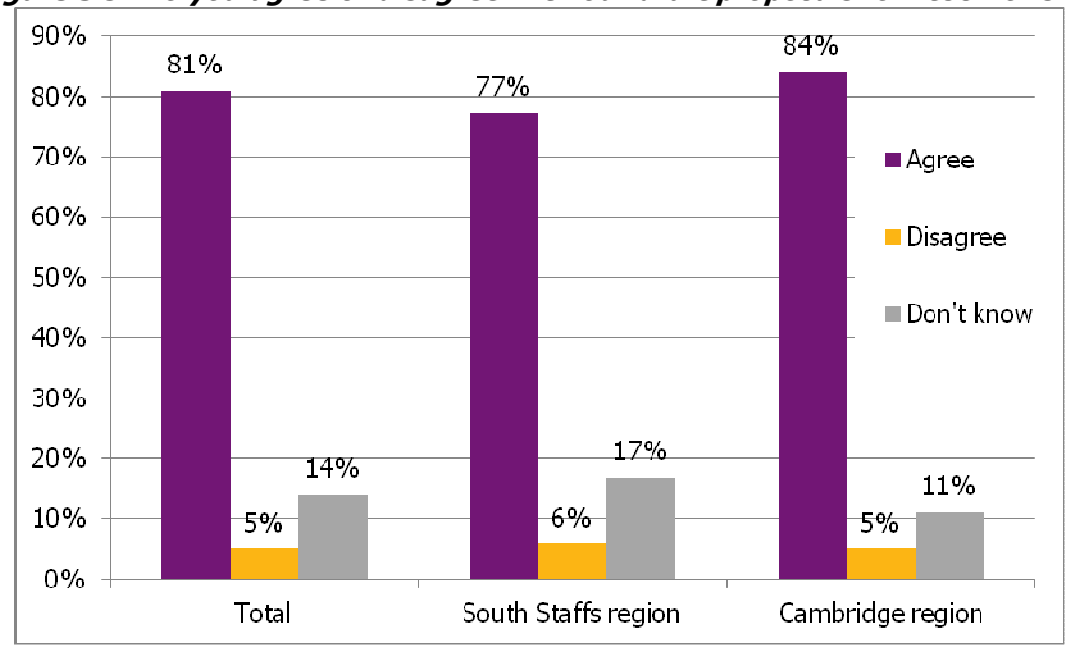
"Due to increased population and water usage this is essential." Domestic customer (panellist), South Staffs.

Among the small number (5%) who disagreed with the proposal, there was a fairly even split between those who wanted the company to do 'more', 'less' or 'something different'. Nearly a quarter of those who disagreed thought that spending on reservoirs was either not necessary, or should be the company's responsibility to invest in, without costs being passed on to customers.

"I think customers shouldn't be responsible for faults found in the reservoirs. I think that water companies should fund it from their profits." Domestic customer (panellist), South Staffs.

"I am not aware that Cambridge Water Co has any reservoirs in its area. We should not be expected to pay for these capital projects in other areas." Domestic customer, Cambridge.

Figure 3.9: Do you agree or disagree with our draft proposals for reservoirs?



Base: all respondents (983), split by region (525 in Cambridge; 446 in South Staffs)
*Note that 12 respondents said they did not know which water supply region they were in.

3.3 Helping customers

This section of the consultation document mentioned some of the initiatives already in place to assist customers who may struggle to pay their water bills. It explained two possible ways in which SSW might provide additional help:

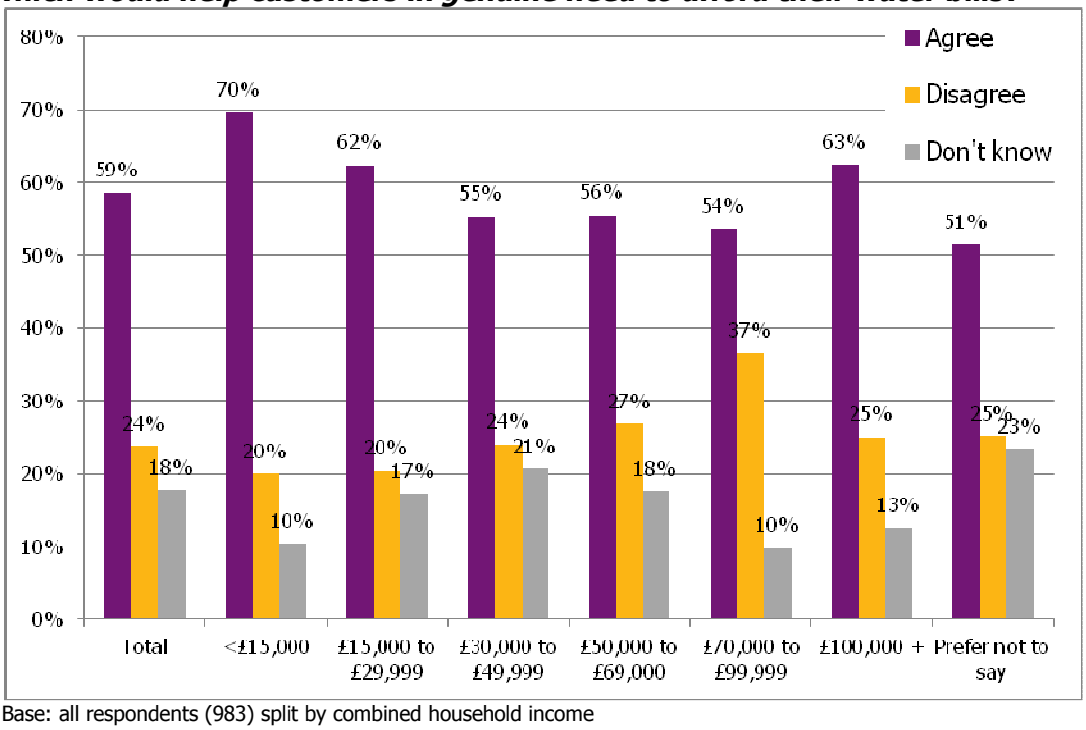
- To introduce a 'social tariff' - a tariff which would help customers in genuine need to afford their water bills. This would require the support of other customers, as it would mean a small addition to their bills.
- To use the savings made when merging SSW and Cambridge Water as a means to help customers in genuine need.

Compared with responses to the other consultation questions, both of these suggestions received a relatively low level of support.

Social tariff

More than half (59%) of respondents said they agreed with the company's suggestion of a social tariff. Respondents in the lowest combined household income bracket, less than £15,000 (70%) and highest combined household income bracket, more than £100,000 (63%) were most likely to say they supported the proposal for a social tariff.

Figure 3.10: Do you agree or disagree that the company should offer a social tariff which would help customers in genuine need to afford their water bills?



Base: all respondents (983) split by combined household income

Amongst businesses and other stakeholders, 8 of the 14 agreed, with 5 disagreeing.

The most frequent comments made by those who agreed with this proposal related to water being an essential service, an acknowledgement that some people need help, and that those in genuine need should receive it.

> *"I think it's important that customers see the full cost of the water they are using, but that those who are in great financial difficulty receive the support they require to pay their bill - I am pleased to see that you have a Charitable Trust and suggest this is promoted more to those who need it." Stakeholder (charity), Cambridge.*

> *"Everyone should be entitled to a clean and healthy supply of water even if they are financially troubled." Domestic customer (panellist), South Staffs.*

> *"The biggest problem will be to ascertain that such needs are genuine." Domestic customer, Cambridge.*

Almost a quarter (24%) disagreed with this element of the company's plan. There was a strong feeling among these consultees that it is not the responsibility of the water company or its customers to support those in need. They also mentioned that it is difficult to assess genuine need, and that those who require help should receive it via benefits or other systems, rather than through contributions from other customers.

> *"I feel that it is unfair to other customers that their bills should be increased to support others. The benefits system does take household bills into account." Domestic customer (panellist), South Staffs.*

> *"It is not up to utilities companies to do this - this is what benefits and other governmental support are for. You should focus on keeping bills low and keeping investors happy." Domestic customer, Cambridge.*

Using merger savings

When asked if the savings from merging South Staffs Water and Cambridge Water should be used to support customers struggling to pay water bills, mixed responses were received. As Figure 3.11 shows, almost half (47%) agreed, just under a third (30%) disagreed, with nearly a quarter (23%) answering 'don't know'. A larger proportion in the under £15,000 combined household income bracket agreed with this proposal (58%) – see Figure 3.12.

It is possible that some respondents agreed with this statement because they misinterpreted as reducing costs for all customers (as many are struggling) or they had a different, looser interpretation of 'struggling' than the company intended to imply.

Amongst businesses and other stakeholders, 6 of the 14 agreed, with 4 disagreeing and 4 indicating that they did not know.

Opinions varied from this suggestion being a good use of the savings and helping those in need, to the idea that the savings should rather be used to reduce all bills.

> *"Perhaps a proportion of this should, but merging and savings should be used to improve infrastructure etc which benefits all. You have your goals but with the savings perhaps you could reach your stretch targets." Domestic customer, Cambridge.*

> *"Any savings from the merger should be ploughed back to all customers." Domestic customer, South Staffs.*

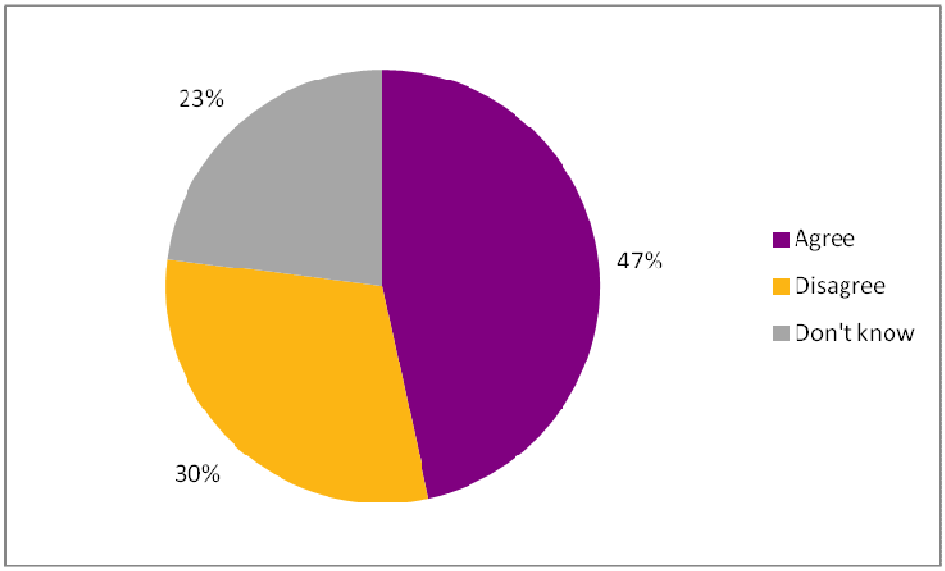
Consultees were asked if there was anything else they thought SSW should do to help vulnerable customers afford their water bills. The largest number of comments related to the need to provide cost reduction advice and products, for example water butts, water saving devices, free surveys and budget advice.

> *"Educate and be clear in how much water is used to fill a kettle/bath/do a washing machine cycle etc. If people knew it cost £x to take a bath compared to a shower, they may switch and use water more wisely. Provide free water saving devices as gas/electric companies provided free house insulation." Domestic customer (panellist), South Staffs.*

> *"I applied for a cap but it did not really make much difference as prices rose anyway. I think they should receive a basic amount free then pay on the meter on top." Domestic customer, Cambridge.*

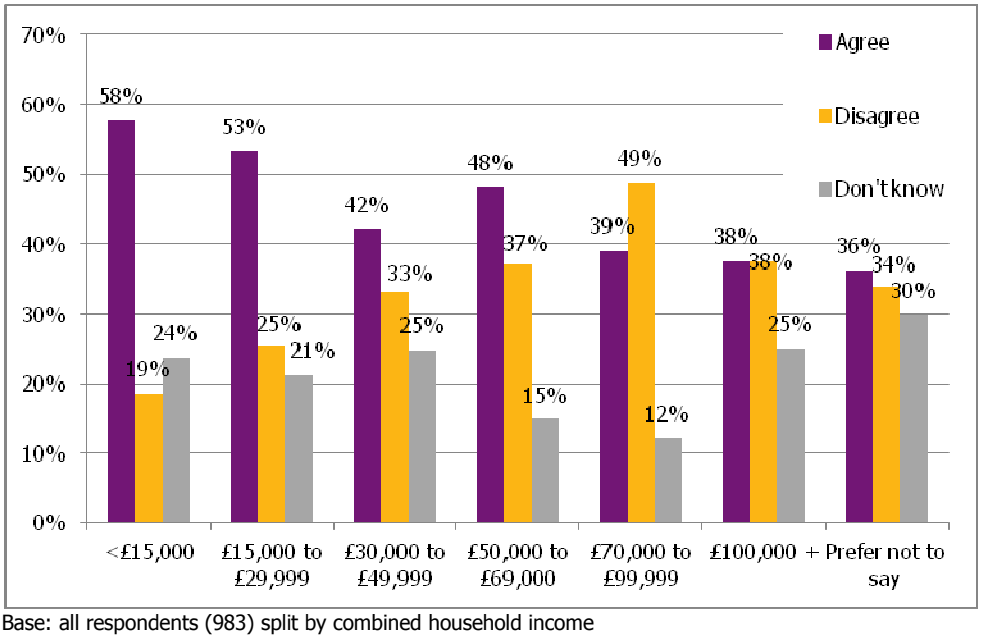
> *"Free assessments/surveys where water leakage or other issues might be raising bills or otherwise affecting water supplies." Domestic customer, Cambridge.*

Figure 3.11: Do you agree or disagree that the savings from merging South Staffs Water and Cambridge Water should be used to support customers struggling to pay water bills?



Base: all respondents (983)

Figure 3.12: Do you agree or disagree that the savings from merging South Staffs Water and Cambridge Water should be used to support customers struggling to pay water bills?



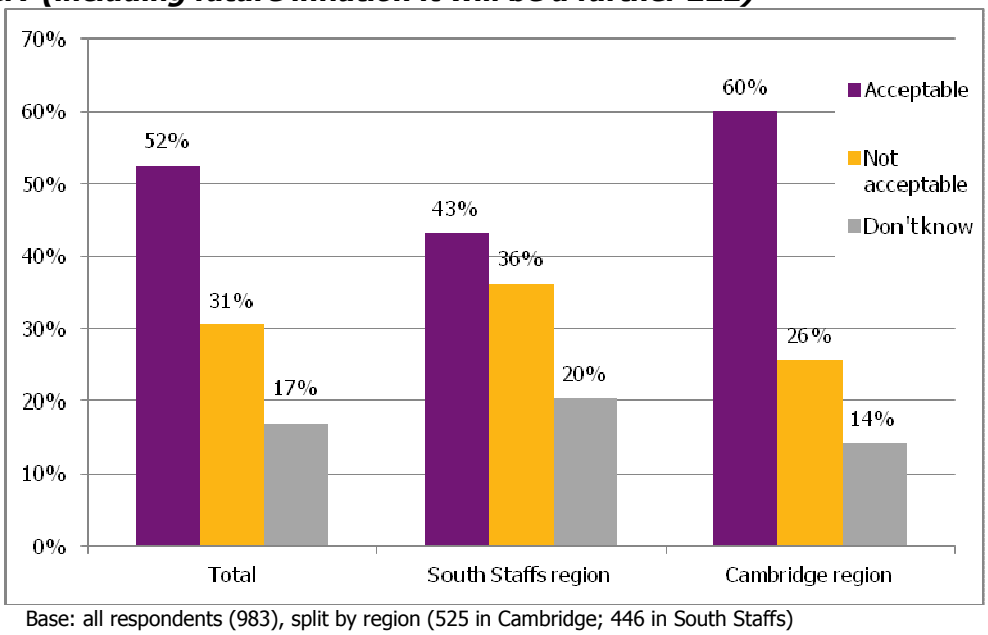
Base: all respondents (983) split by combined household income

3.4 Price increase

The section of the Draft Business Plan 'What will happen to your water charges from 2015?'[14] explained the impact that SSW's investment proposals would have on customers' water bills. It also explained the steps the company has taken to keep bill increases as low as possible. Consultees were asked for their views on how acceptable a 2% (£3) water bill increase by 2020 would be (with the question highlighting that, including future inflation, the increase would be a further £22)[15].

Across all respondents, 52% said that this increase would be acceptable. Nearly a third (31%) said that it would be unacceptable, and 17% said they did not know. Customers in the Cambridge region (60%) were considerably more likely find the increase acceptable than those in the South Staffs region (43%).

Figure 3.13: How acceptable is a 2% (£3) bill increase by 2020 for your water? (including future inflation it will be a further £22)



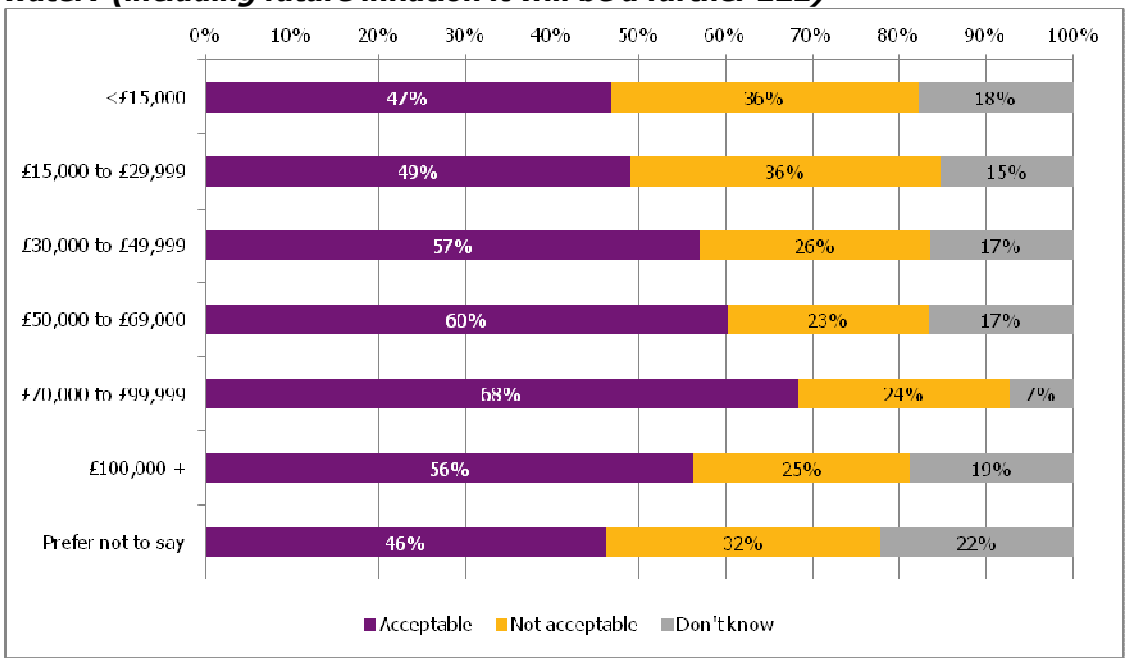
Base: all respondents (983), split by region (525 in Cambridge; 446 in South Staffs)

When responses are analysed by income bracket, the highest proportion who said the increase would be acceptable (68%) were those with a combined household income of £70,000-£99,999. Those with combined household incomes of less than £30,000 and those who preferred not to divulge their income, were less likely to find the increase acceptable than other groups, as Figure 3.14 shows.

[14] South Staffs Water: *The future is your cH$_2$Oice 2015-20. Consultation on initial proposals,* p.20, 21.

[15] More detailed and robust customer research is being conducted on the acceptability of the price increase separately.

Figure 3.14: How acceptable is a 2% (£3) bill increase by 2020 for your water? (including future inflation it will be a further £22)



Base: all respondents (983) split by combined household income

Whether or not respondents had responsibility for paying their household's water bill made little difference to their answers, although those who pay the bill themselves were slightly more likely to find the increase acceptable (53% compared with 46%). However, this percentage is based on a small number of non billpayers (35).

Comments were mixed, with those who found the increases acceptable saying they were fair and reasonable. Those who found the increases unacceptable said that prices were already too high, salaries were not increasing, and that profits should be used to cover costs. Some said they would also need to know about any proposed price rises for sewerage services.

"I don't think we've been spending enough on infrastructure recently (not just water, but roads & railways etc too), so 2% to ensure a safe & reliable water supply for many, many decades to come seems reasonable." Stakeholder (charity), Cambridge.

"As long as the service and quality remains high, I think this is acceptable." Domestic customer (panellist), South Staffs.

"We get nothing for nothing and as long as this extra cost is for investment and not to pay shareholders then fine, I want to see shareholders payouts made visible to bill payers." Domestic customer, Cambridge.

"Customers look at the whole bill, including sewerage charges so this would need to be looked at as a whole." Domestic customer, Cambridge.

"Why shall we pay more for poorer service and more disruptions?" Business customer, Cambridge.

"The price of everything is rising but our household income isn't so how can we be expected to afford all the price hikes?" Domestic customer (panellist), South Staffs.

3.5 Other comments

Relatively few comments were made in this section. Those that were received ranged in emphasis from positivity about the plan and the consultation to cynicism. Some typical example comments are as follows:

"Some good ideas. The area that concerns me the most is metering and what it really does save in total costs and how this is passed to customers." Domestic customer (panellist), South Staffs.

"On the whole well thought out." Domestic customer, Cambridge.

"Thank you for consulting." Domestic customer (panellist), South Staffs.

"This sounds not so much like a survey to get your customers' input, as a survey you can use to your own ends, to shift the blame for the large price increases which you appear already to have decided." Domestic customer, Cambridge.

"Much better consultation information than I'd expected." Domestic customer, Cambridge.

"Speak to customers in plain English. They need more detailed information." Stakeholder (charity), Cambridge.

Appendix A: Questionnaire

Appendix B: Verbatim comments

See separate file.