

Thames Water. Paying for bigger sewers

The nationalised water industry had a bad record, putting sewage into rivers and the sea. It spent too little on expanding pipe capacity and on replacing old and damaged pipes, as the costs fell on taxpayers. Water lost out in many a public spending battle under Labour, Conservative and Coalition governments pre 1989. The UK had sewage strewn beaches in the last century as well as dirty rivers.

Privatisation freed the industry to raise new capital, shares and debt. The Regulator limited the amount the companies could spend on new investment and imposed price controls on what they could charge. Progress remained fairly slow in renewing and expanding the system, though more was spent than under nationalisation. Substantial sums were freed through the sale of new shares and extra long term loans. The rapid escalation in inward migration under Labour from 1997, and the further large increase this Parliament added to the need for more capacity.

Thames Water is 51% owned by the Ontario Municipal Pension Fund and the UK Universities Pension Fund. Other minority shareholders make up the mix.

The Company has undertaken substantial investment in recent years, stepping it up to £1.77bn in 2022-23 alone. It has not paid any share dividends to its external shareholder owners since 2017, ploughing back as much money into investment as possible. It has also taken out large borrowings to finance new pipes. Debt now adds up to £14 bn.

Thames provided a breakdown of how it spends each pound of receipts in 2022. 46 p is spent on new infrastructure. 19 p is spent on operational costs and 15 p on employees. 7 p is spent on energy, 5 p is paid in tax and 8 p is paid to lenders as interest on the debts.

Labour has said it does not recommend nationalising it. The government have no plans to nationalise it. It would be difficult to increase investment spend as people want were it nationalised given the extra strain that would impose on state budgets. Whether nationalised or privatised the decision is the same. Should Thames be allowed to put up its prices more to speed up and increase its investment or not? I will look at the available options for Thames in a future blog.

Nationalisation is a bad idea

There are several strong arguments against the nationalised model for providing commercial services like phones, water, electricity and gas as we used to suffer.

1. These services never had sufficient priority in public spending to access sufficient capital to modernise and expand.
2. As monopolies not facing daily competitive pressure they put up prices too much and tolerated poor service.
3. As monopolies they often made bad decisions about investment that then cursed the whole service. BT for example when under state control spent a lot on rolling out outmoded electro mechanical switching when the US was well advanced with superior electronic. The UK's supply industry was unable to sell the UK spec products for export as they were out of date. The electricity industry stuck with new coal power stations , only opting for cleaner cheaper more fuel efficient gas after privatisation.
4. These businesses were overmanned with low productivity. This led to getting rid of staff and charging too much.
5. The losses on nationalised industries exposed to international competition like steel and coal were huge. The railways also ran up huge losses. Taxpayers had to pick up the bills.

When making the case against nationalisation I was able to demonstrate nationalised industries were bad for customers, charging too much, bad for taxpayers, costing too much, and bad for employees, getting rid of so many.

Devolution and growth

There is no evidence that devolving power to regional governments in the UK foster more economic growth. Indeed there is evidence the opposite is true. SNO Scotland and Labour Wales have grown less than England. The NHS in Scotland and Wales both cost more per head but perform less well than NHS England.

There is no reason why an additional layer of government with more officials would make somewhere more prosperous. Regional governments want to impose more and different regulations than the national government. Both the Welsh and Scottish governments wanted longer and tougher lockdowns for covid to add to the damage lockdown policies did.

The regional governments become campaign platforms for their First Ministers and ruling parties who use their position to criticise and undermine national policies. They lobby for more money and get more spend per head than England. They then prove more public spending does not lead to faster growth or better economic performance.

Many Councils in England use their positions similarly. Politicians like Kahn use their platforms to try to undermine the national government. They pursue

their own vendettas against van and car drivers, damaging local businesses and shopping centres. They claim be short of money yet they spend a fortune on wrecking the roads. Many buy up portfolios of commercial property and renewable power generation , risking taxpayers money. Some lurch to bankruptcy as a result.

The Opposition parties who want more of all this will level down any more successful place they win, whilst failing to tackle poverty, lack of successful business and run down urban centres elsewhere.

The NHS

I usually agree with the electorate whose opinions reflected in issue polls are often more sensible than the views of government and opposition parties.

I agree with current polls that reveal a deep dissatisfaction with the NHS. I do not agree that the answer is more money. If only it were that simple. If more money on its own would fix it we would have fixed it this decade.

Spending on health has shot up from 2019. At £180 bn this year, it is £56 bn or 45% higher than in 2019. It is true prices and wages have gone up. Adjusting for this the NHS is receiving more than 20% extra. That is a much bigger rise than the Brexit savings on the side of the bus. They and tax rises have all been absorbed into the NHS budget.

The NHS will each year need some extra money. We want nurses and doctors to be well paid and the NHS to be able to afford new medicines as they become available. It would help reduce the strains on the service if there was a large reduction in legal migration, as recent years have brought in plenty more patients.

It is also true that in recent years there has been a big increase in non medical staff numbers and an expansion of senior grades of management. There has been a big drop in output per person implying the extra management has made the lives of those doing the medical work more difficult and bureaucratic.

More money should only be committed to achieve better outcomes for patients. We need better management, probably with fewer managers.

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