Britain's largest water utility cuts jobs by 25 percent

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7 September 2006

Thames Water, Britain's largest water utility, announced plans on August 29 to cut a quarter of its 4,000 workforce within three years. The cuts are part of a review of the company carried out by newly appointed chairman James Forbes, the former head of energy company Scottish and Southern. Earlier this year, Thames Water announced a 31 percent leap in its profits to £346.5 million.

Thames Water CEO Jeremy Pelczer told staff, "Any business has to be more efficient than its competitors in order to secure a long-term future.... As we seek to drive the efficiencies needed to meet our goals, some of them will come through smarter procurement but some will come from different ways of working which will involve job cuts."

Whole departments are in the process of being closed down, older workers pensioned off and contract workers made redundant.

Thames Water's parent company is the German utility giant RWE. Staff "bundled" into a "Shared Services" unit with RWE's energy subsidiary NPower only two years ago have now been "unbundled." A sense of panic pervades the company as top management freezes recruitment, bans new IT equipment and clamps down on training and travel.

The latest announcement is tied up with RWE's decision last year to sell Thames Water and buy natural gas and electricity companies before European Union energy markets open up to full competition next year. The company says a public flotation on the London Stock Exchange is the preferred option, but three formal bids have been received by a joint UBS bank-Qatar Investment Office, Australia's Macquarie Bank and Terra Firma Capital Partners.

RWE not only hopes to make up to £2 billion from selling Thames Water (it bought the company in 2000 for £4.7 billion and now hopes to sell it for £7 billion or more), but has sucked out dividends amounting to £1 billion from the company since it was acquired.

Thames Water is the object of enormous public hostility, which has prompted the *Independent* newspaper to label it "Britain's most hated company."

Last year, the company increased water charges to its customers by 21 percent at the same time as its former chief executive, Bill Alexander, received a total of £2.66 million for the year. Other Thames Water directors saw their bonuses increase from £228,000 to £615,000, with the total remuneration of the four executive directors up 62 percent at £1.26 million. It is believed that they could make as much as £30 million when the company is sold.

This summer, the company imposed restrictions on water use during the worst drought in southern England in 70 years, whilst losing about a third of its water in leaks from its water mains—the worst in the country. There have been spectacular water main bursts in recent years, leading to the closure of London's primary roads for days or weeks at a time.

The industry regulator OFWAT has regularly criticised the company for missing its leakage targets, saying, "Customers are paying the higher prices that Thames Water has been allowed to charge without getting all the benefits that the company has promised to deliver. This is unacceptable."

However, financial analysts say the regulator Philip Fletcher has actually helped boost the sale process by refusing to fine the company after it promised to increase spending on leaking mains by £150 million and also reducing leakage targets for the next two years.

Although the regulator insisted that he had "secured a legally binding undertaking from Thames Water to replace additional leaking water mains at the expense of its shareholders"—i.e., RWE—it is now clear workers are the ones making the sacrifices.

It has also emerged that the regulator is considering fining the company for "irregularities" in its system for paying out compensation to customers, which the company admitted earlier this year. Phil Scholes, customer services director at Thames Water, said at the time, "We are determined to get to the bottom of how these errors were made so that we can make sure they are not repeated in the future."

However, OFWAT has now complained to Pelczer about the reliability of the information Thames Water provided in its annual report to the regulator in June, several months after Scholes's statement, saying: "We are concerned that the statement you have provided falls significantly short of the standard we expect and does not meet our reporting requirements."

Thames Water also received the biggest fines for pollution in England and Wales last year after prosecution by the Environment Agency. During 2005, the company was fined £128,000, including £110,000 for incidents in 2003 when 20,000 fish were killed by sewage pollution.

Since 1988, when Thames Water was privatised by the Thatcher Conservative government, the unions have been pursuing a "partnership" agreement with the employers, claiming it is the best way to achieve job security and better wages and conditions. But even before the latest announcement, the record shows there have been constant reorganisations, job cuts, outsourcing and downgrading, and frequent "management initiatives" that reverse policy taken a few months earlier. Those workers who have survived the period since privatisation have seen their wages stagnate in real terms.

The May 2006 issue of *Branch News* produced by Unison, the main union in Thames Water, welcomed the appointment of Pelczer as CEO, but then complained he had been "unable to give us a detailed response" to 13 requirements about the sale, including one that said "employee numbers will not be reduced" and others that the unions would be consulted.

In the August 2006 edition, the newsletter complains that the company has ignored the partnership agreement. In reply to the question "Partnership—Is there a future?" it answers, "Frankly, we don't know. We hope that with Partnership in place we can still constructively influence management to obtain a better result."

"But these are difficult times and a lot will depend on the new owners" it continues, "Hopefully we won't get back to those days of confrontation and industrial unrest."

The newsletter ends with the pathetic refrain, "And Good Luck, especially over the next few months."

The GMB union has proven itself equally bankrupt in the current situation. GMB official Kelly Rogers said, "We will seek to ensure that no frontline jobs are cut and that investment continues to improve the service to customers. We will also seek an assurance that there will be no compulsory redundancies."

There is no shortage of determination among Thames Water workers and contractors to oppose the latest assault on their living conditions, and a struggle against the company's profiteering would win widespread public support. The principal obstacle is the bankrupt policy of the trade unions, which oppose the type of industrial and political mobilisation that is needed because it threatens the privileges they accrue thanks to their defence of interests of the employers.

On the political front, the Labour Party also works hand-in-glove with the major corporations, while squandering billions of pounds that could be used for social purposes to prosecute a colonial-style war in Iraq.

The Socialist Equality Party advocates a fundamental restructuring of the economy to place the needs of working people and society as a whole before corporate profit and the accumulation of private wealth. Socialism would bring the main pillars of economic life into public ownership, including the water utilities, under the democratic control of the working population, so that the wealth produced by workers' labour could be used to meet social needs.

A socialist policy for water supply and sanitation would involve reorganising the water companies on the basis of rational international planning and cooperation so that all the world's inhabitants would receive the most basic necessity of life.