Thames Water brought to near collapse by private looting

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Thames Water, the largest water company in the UK, is on the verge of collapse. Both the chairman and CEO have resigned as the company's board, investors and UK government claim that all is under control and a "turnaround plan" will be implemented under the auspices of new chairman Sir Adrian Montague.

Montague is currently Chairman of Cadent Gas Limited, Britain's biggest gas network. Cadent Gas is run by the Australian banking group Macquarie, which owned Thames Water from 2006 to 2016 and is largely responsible for its current crisis, tripling its debts from £3.2 billion to £10.5 billion. Macquarie borrowed at a time of cheap interest rates against the company's assets and paid out £2.8 billion in dividends to shareholders.

The banking group has carried out the same rapacious policy at Cadent, saddling the company with debts of £7.4 billion. Cadent made a record £945 million profit in the 2022-23 financial year and paid a £350 million dividend to shareholders, while announcing plans to close its defined benefit pension scheme.

The immediate cause of Thames Water's demise is soaring inflation which has increased the cost of repaying the now more than £14 billion of debt its owners have saddled it with. Inflation has also increased the price of energy and chemicals, which are a huge cost for water companies.

Other water companies including Yorkshire Water, SES, Southern and Portsmouth Water also lack "financial resilience" according to the regulator Ofwat.

The debacle is an ignominious turning point for a company that originated in the New River Company, founded in 1617, to bring fresh water along a 28-mile aqueduct to London. Its successor, the Metropolitan Water Board, undertook huge water and sewerage infrastructure projects to advance public health in the Victorian era.

By the time the Board was privatised by the Conservative government of Margaret Thatcher in 1989 it was renowned internationally for its operational skill and scientific research. Its workers could retire on full pay at the age of 55.

If the company goes under, the government will likely temporarily nationalise it in the hopes of cobbling together a rescue package. However, Susannah Streeter, head of money and market at Hargreaves Lansdown, said selling Thames Water would be difficult given its indebtedness. "Pouring more money into the financial black hole Thames Water appears to have dug is clearly an unwelcome prospect, with little hope of future returns given the huge infrastructure work needed to mend leaks and sewage discharges."

When the Tory government privatised the water industry, it claimed there was gross bureaucratism and inefficiency which would be done away with through the introduction of competition, providing a massive injection of cash for investment. The sale would benefit consumers and deliver funds to the government and an independent regulator would defend against potentially abusive monopolies.

The opposite occurred. A Wild West-style rampage took place in which the previously state-owned water assets fell into the hands of bank consortiums, private equity firms and sovereign wealth funds committed to extracting every last penny from customers and workers and building up debts while splashing out on dividends.

Recent research by *The Times* newspaper has borne out the *World Socialist Web Site*'s contemporary analysis of this process. It explains that by 2021 nine of the 15 English water and sewage companies were owned by "special purpose companies" under the control of financial institutions, which "were then able to use water company revenue to generate significant returns to shareholders. And one way this happens is by hiking up company debts." Zero debt at the time of privatisation has soared to £60.6 billion.

According to *The Times*, Thames Water was "the archetype of this model". After it was taken over by Macquarie, debts rocketed over the next 10 years from £3.2 billion to £10.7 billion, while dividends of £2.5 billion were paid out. The company paid next to no corporation tax.

At the same time, as the Consumer Council for Water (CCW) which represents water customers has recently explained, "Nearly one in four households say they are currently struggling to pay their water bill amid the cost-of-living crisis and this will add to their worries." Water bills have more than doubled in real terms to an average £448 this year.

While money has been sucked out of the company it has become notorious for polluting rivers and failing to stem leakage from its pipe network. It leaks more water than any other water company in the UK and was fined a record £20 million for pumping 1.9 billion litres of untreated sewage into the Thames in 2017. This week Thames Water was in court yet again for pumping, "unnoticed", a roughly estimated "millions of litres" of raw sewage into rivers near Gatwick Airport, causing them to turn "black" and kill more than 1,000 fish.

The government claims the Environment Agency (EA) is being "empowered" to tackle sewage pollution and "is conducting its largest ever criminal investigation into potential widespread breaches of environmental permit conditions at wastewater treatment works by all water and sewerage companies."

The EA declared, "Our initial assessment indicates that there may have been widespread and serious non-compliance of environmental permit conditions by all companies. We take the implications of this extremely seriously and are committed to understanding the scale and impact of any alleged offending." It said inspectors might go and visit the guilty sites.

The same empty rhetoric has been trotted out year after year since privatisation. The EA is powerless to do anything as Parliament acknowledged last year when it declared that the agency had been "systematically defunded and disempowered to act." EA whistleblowers have told the environmental *ENDS* magazine that they were powerless to do their jobs and the regulator was no longer a deterrent to polluters.

A major share of the responsibility for the crisis lies with the Labour Party and the trade unions.

The Labour government of Tony Blair (1997-2007) denounced opposition to Tory privatisation as "rigid dogma". Current Labour leader Sir Keir Starmer ditched proposals to renationalise the water sector last year.

During privatisation the unions sabotaged overwhelming votes for industrial action. Since then, they have pursued a "partnership" agreement with the employers, claiming it was the best way to achieve job security, better wages and conditions. Instead workers have faced constant reorganisations, job cuts, declining wages and reduced pension schemes. The unions will now help impose anything that is demanded of them in the proposed "turnaround plan" to rescue the bankrupt Thames Water.

This latest crisis poses sharply the need for a socialist policy for water supply and sanitation. Such a policy would involve taking the water companies into public ownership to be run based on rational international planning and coordination, so that everyone has access to this most basic human necessity.

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