Setting Strategic Direction

Competition Research with Business Customers

Report for Consumer Council for Water and Ofwat
In Association With WRc
June 2007

mvaconsultancy

Document Control

Project Title:	Competition Research with Business Customers
MVA Project Number:	C35161
Document Type:	Draft Report
Directory & File Name:	C:\Documents And Settings\Jchristensen\My Documents\Ccwater_Competition\Draftreport_V1.Doc

Document Approval

Primary Author:	Jo Christensen
Other Author(s):	Laura Hunt
Reviewer(s):	Paul Le Masurier Simon Gordon-Walker
Formatted by:	Adam Fox

Distribution

Issue	Date	Distribution	Comments
1	22/03/2007	Paul Le Masurier Simon Gordon-Walker	Internal draft for review and comment
2	23/03/2007	CCWater/Ofwat	Electronic version of draft report
3	17/04/2007	CCWater/Ofwat	Electronic version of re-drafted report
4	02/05/2007	CCWater/Ofwat	Electronic version of draft final report for approval
5	05/06/2007	CCWater/Ofwat	Final version of report for approval

Contents

Tables

Figures

Appendices

Summary

Background

The Water Act 2003 opened up new opportunities for competition in the water industry by permitting licensed water suppliers (licensees), and facilitating their access to established water sources, via the supply network of the incumbent water companies. From 1 December 2005, non-household customers became eligible to benefit from new rules enabling large users of water to change their water supplier. This is the Water Supply Licensing (WSL) regime, under which Ofwat grants licences to new water suppliers.

The introduction of competition for large users gives non-household customers more options to reduce costs and negotiate tailored service levels. Competition is intended to bring benefits to business customers in terms of service and price, as well as stimulate innovation, and is expected to result in a more efficient industry for all customers in the long term.

The new opportunities only apply to water supply and not to the provision of sewerage services, because Government decided that there was sufficient competition in sewerage services. But licensees may offer other services, such as waste management and efficiency improvements, to complement the water supply business.

In order to switch and receive water from one of the new licensed water suppliers, business customers must meet a number of eligibility criteria. These relate to water consumption of no less than 50,000m^3 a year (50Ml) supplied by their incumbent water company, the layout and the use of the premises. As a general rule, business customers will only be able to change supplier if their premises:

- are located within a single boundary and a single customer occupies the premises and is liable for water bills in respect of those premises (single boundary premises);
- consist of co-located buildings, other similar structures and/or land which have adjoining boundaries or which are separated only by transport infrastructure and a single customer occupies the premises and is liable for water bills in respect of those premises (common occupation co-located premises); or
- consist of a single building or co-located, separately occupied buildings, other similar structures and/or land with all four of the following characteristics:
  - they have a common landlord or managing agent in respect of the totality of the premises;
  - they have adjoining boundaries or are separated only by transport infrastructure;
  - they are served by a self-contained common water supply system that does not belong to a water undertaker; and
  - a single customer is liable for water bills in respect of the totality of the premises (common management co-located premises).
- In addition, the principal use of water at the premises must be for non-household purposes.

mvaconsultancy

However, as with all markets in the commercial world, perfect knowledge amongst potential customers cannot be assumed. It may be that service providers are failing to get their messages extolling their offerings across to eligible customers. Indeed it may even be that customers are unaware that they are eligible as the precise definition of who is eligible is not straightforward.

MVA Consultancy, in association with WRc, was commissioned to conduct a quantitative research study to determine eligible and ineligible business customers' views of, and aspirations for, the competition regime to assist Ofwat and CCWater in their strategic planning of competition in the water industry.

In order to deliver the necessary level and depth of information, a large-scale quantitative survey was undertaken. The survey obtained the views of eligible and ineligible business customers across England and Wales. The survey was administered via email in order to allow business customers to complete the questionnaire at their own choice of time and place. This allowed the recipient to forward the questionnaire to a colleague if they felt they were better placed to respond on behalf of the company.

Key research findings

General context issues

Although the research engaged business customers that were both eligible and non-eligible under the current regime, it was respondents from the eligible business sites that dominated responses in the research, so the findings, reported here, provide a strong indication of the views of those within the current regime.

The study findings give a clear indication that the existing competition regime is failing to meet the needs of the businesses that it was designed to serve. There have been no changes of supplier since its introduction, and the results in this report suggest that this will remain the case, at least in the short-term.

There is no evidence from the research to suggest that businesses are dissatisfied with the actual reliability or quality of service in the provision of water from their water company. Most expressions of dissatisfaction, or interest in competition, revolve around the question of price.

There are, however, positive indications that some businesses will switch supplier if the circumstances are right for them. And this study has identified how the regime should change in order for potential market activity to be realised.

The situation for businesses overall can be summarised as follows.

Current Situation

- Engagement with the WSL regime and competition in general is not high; almost half the sample (47%) is neither satisfied nor dissatisfied with current water prices, and a similar proportion (41%) are neither confident nor not confident with the WSL regime;
- More than half (58%) are satisfied with the quality of water services;

- The majority of respondents would not be willing to pay higher water bills in order to receive a more tailored service, with only 5% stating that they would be 'very' or 'quite' willing;
- Two-thirds of respondents are aware that a competitive regime exists, but only 33% who consume no less than the eligibility threshold are 'definite' that they are eligible to switch supplier;
- More than two-fifths (43%) do not recall receiving any information on the competitive regime, and only 12% of customers could name a new entrant. Almost all (91%) want Ofwat to provide them with information (ideally in the form of email alerts); and
- Most respondents (77%) consider the service they receive is unchanged since the competition regime was introduced.

The idea of Competition

- Most customers (84%) are supportive of competition (in principle);
- Most (60%) think the competition regime for the water industry compares unfavourably with other utilities; and
- Most (61%) were 'quite'/'very' likely to consider switching in the right circumstances.

What would make customers switch?

- The vast majority (93%) of customers would switch if offered lower bills. Just below half (49%) would switch if better service was offered by a new supplier, and there was guaranteed switch-back (43%);
- The main reasons other than price for which customers may consider switching supplier included water efficiency audits and leakage detection;
- Two-thirds would switch supplier once the regime is shown to be successfully established; but
- Only 16% think that there are no barriers to the current regime being effective.

Making this happen

- Most (64%) want to see a re-structuring of the industry to facilitate more competitive pricing;
- More than half (53%) believe the incumbent suppliers need incentives to offer competitive prices;
- More than half (52%) want to see a national supply network;
- More than one-third (38%) want new suppliers to be allowed to operate everywhere; and
- More than one-third (37%) want more, and better, information.

Key issues for consideration

The ability of a business customer to achieve a lower price for their water supply appears to be the most important factor in a decision to change water supplier – with 81% of respondents indicating that this would need to be a saving of up to 10%, and 39% saying this saving must be up to 5%.

Those respondents managing multiple sites appear to be more aware or engaged with competition issues, and this is understandable given the opportunity they may have to make savings. 75% of multiple site respondents have actively sought or received information about competition, compared to 49% on single sites. Consideration therefore should be given to expanding competition eligibility to include multiple sites that meet the minimum threshold criteria.

The 'barriers' in the competition market, as perceived by the majority of respondents in this research, relate to *uncertainty* (i.e. not enough information and a lack of experience from real examples) about the way the market works and the inability of new entrants to secure a low cost wholesale price.

Some key issues looking to the future have been raised during the research; these include 64% of respondents suggesting that the water industry needs to be restructured to facilitate competitive pricing, 53% that the incumbent suppliers need incentives to offer competitive prices; 52% want to see a national water supply network; 38% believe that suppliers should be able to operate everywhere; and 37% want more, and better, information.

Dealing with the issues raised in this research will be a matter for government and sector regulators (including CCWater) working with the water industry. Getting the framework for the competition regime within the current eligibility requirements should be a priority, rather than moving too quickly to extend the eligibility criteria requirements. Extending eligibility will merely perpetuate "barriers" in the current market.

The research has shown that the issues of information and support, and the pricing mechanism that allows eligible customers to achieve savings of up to at least between 5-10 % and allows new licensees to make a viable return on the retail costs, should be given priority.

1 Background

1.1 Introduction

1.1.1 The Water Act 2003 opened up new opportunities for competition in the water industry by permitting licensed water suppliers (licensees), and facilitating their access to established water sources, via the supply network of the incumbent water companies. From 1 December 2005, non-household customers became eligible to benefit from new rules enabling large users of water to change their water supplier. This is the WSL regime, under which Ofwat grants licences to new water suppliers.

1.1.2 The introduction of competition for large users gives non-household customers more options to reduce costs and negotiate tailored service levels. Competition is intended to bring benefits to business customers in terms of service and price, as well as stimulate innovation, and is expected to result in a more efficient industry for all customers in the long term.

1.1.3 The new opportunities only apply to water supply and not to the provision of sewerage services, because Government decided that there was sufficient competition in sewerage services. But licensees may offer other services, such as waste management and efficiency improvements, to complement the water supply business.

1.1.4 Two types of licensed water supplier are able to enter the market - retail and combined:

- A retail licence authorises the holder to use a water undertaker's supply system for the purpose of supplying water to the premises of its customers ('the retail authorisation'). A retail licence therefore permits the supplier to purchase a wholesale supply of water from a water undertaker and to retail it to customers at eligible premises.
- A combined licence gives the holder the 'supplementary authorisation' in addition to the retail authorisation. The supplementary authorisation allows the holder to introduce water into a water undertaker's supply system by means of which any particular supply of water to the premises under the licensee's retail authorisation is to take place.

1.1.5 Before water from any new source can be put into public supply, it has to undergo rigorous quality testing by the Drinking Water Inspectorate (DWI) to certify that it meets all water quality regulations. This will ensure that the public water supply is not compromised in any way by the introduction of competition.

1.1.6 Some of the new licensed suppliers coming into the market will be companies affiliated to the existing appointed water companies. They will operate at arm's length, and will not be able to supply customers in the area of the appointed water company they are affiliated to.

1.1.7 Other new licensed suppliers coming into the market currently provide specialised services in related areas such as large user account and private supply management, and are looking to diversify into either retail or combined supply.

1.1.8 In order to switch and receive water from one of the new licensed water suppliers, business customers must meet a number of eligibility criteria. These relate to water consumption of no less than 50,000m³ a year (50Ml) supplied by their incumbent water company, the layout and the use of the premises. As a general rule, business customers will only be able to change supplier if their premises:

- are located within a single boundary and a single customer occupies the premises and is liable for water bills in respect of those premises (single boundary premises);
- consist of co-located buildings, other similar structures and/or land which have adjoining boundaries or which are separated only by transport infrastructure and a single customer occupies the premises and is liable for water bills in respect of those premises (common occupation co-located premises);
- or consist of a single building or co-located, separately occupied buildings, other similar structures and/or land with all four of the following characteristics:
  - they have a common landlord or managing agent in respect of the totality of the premises;
  - they have adjoining boundaries or are separated only by transport infrastructure;
  - they are served by a self-contained common water supply system that does not belong to a water undertaker; and
  - a single customer is liable for water bills in respect of the totality of the premises (common management co-located premises).
- In addition, the principal use of water at the premises must be for non-household purposes.

1.1.9 The Water Act 2003 introduced competition to a previously mutually exclusive or monopoly market place, and at the time of the research the Water Supply Licensing (WSL) regime had been operational for just over 12 months.

1.1.10 However, the new entrants, such as Aquavitae, are only allowed to compete with incumbent providers for a special subset of the entire market. The Water Industry Act 1991 (WIA91) as amended by the Water Act 2003 and the Competition Act 1998 have paved the way for competition only for the very high water usage market. Therefore, for very high water users, there are now two types of water service provider:

- new entrants, taking advantage of access to other water companies' supply and distribution networks to get the best deal; and
- the incumbent water company who, by default, will continue to offer their standard retail rates.

1.1.11 The service provisions, indicated above, are not necessarily focused only on price. In this newly competitive era, service providers can differentiate on other service aspects, such as: management and reliability of water supply (including quality, quantity or security), payment terms, leakage detection, and waste management. Therefore, businesses should now be able to find a provider offering a service tailored to suit their specific business needs.

1.1.12 However, as with all markets in the commercial world, perfect knowledge amongst potential customers cannot be assumed. It may be that service providers are failing to get their messages extolling their offerings across to eligible customers. Indeed it may even be that customers are unaware that they are eligible as the precise definition of who is eligible is not straightforward.

1.1.13 MVA Consultancy, in association with WRc, was commissioned to conduct a quantitative research study to determine eligible and ineligible business customers' views of, and aspirations for, the competition regime to assist Ofwat and CCWater in their strategic planning of competition in the water industry. An online survey was conducted in February/March 2007. A sample of 684 respondents was achieved. Of these 501 were eligible based on their water use and 183 were ineligible.

1.2 Research Aims and Objectives

1.2.1 The over-riding aim of this research was to establish the competitive effectiveness of the 12-month old market place from the perspective of current and potential customers.

1.2.2 Specific objectives are to determine:

- Knowledge of Market

  What Business customers know about the competition regime and their understanding of what it means for them;

  What information they have seen and what more information they need to build and enhance their knowledge; and

  Customers' awareness of new entrants and the services available, and their reaction to them.

- Engagement in the market

  The actions business customers have taken to explore the options open to them;

  The level of interest in being able to switch water supplier and how this could be facilitated;

  The factors that motivate a business customer to consider switching water supplier and

  The barriers that stand in the way of customers and how these could be overcome to facilitate a change in supplier.

- Experience of the market

  The positive and negative experiences of customers attempting to switch supplier;

  The material benefits of competition to eligible customers and benefits that may have trickled down to ineligible customers;

  The number of business customers who have experienced benefits or improved services in the last 12 months; and

  The level of customer confidence in the operation of the new competition regime and how this could be enhanced.

- Expectations of the market

  The expectations and aspirations for competition for customers in terms of benefits to their business.

1.2.3 It is important to understand the views of currently ineligible customers as well as those that are eligible. Therefore, it is important to include an ineligible sample of business customers in any research. In this case, ineligible customers are represented by those who use between 5ML up to, but not including, 50ML per annum.

1.3 Current situation

1.3.1 The Water Act 2003 allowed new entrants into the water industry to supply water to a limited group of consumers. The rationale for encouraging further competition in the water industry was that this would encourage more efficient use of water resources and help to improve service and improve efficiency that will be reflected in prices.

1.3.2 Under the Water Act 2003 new licensees are permitted to supply water to non-household users who expect to consume no less than 50 megalitres (50,000 cubic metres) per year. Currently, there are approximately 2,200 eligible premises across England and Wales.

1.3.3 To operate in competition with an incumbent water company, authorisation in the form of a water supply licence is required from Ofwat, the economic regulator and the organisation charged under the Act to encourage competition in the sector.

1.3.4 Under the current competition regime there are two ways that licensees can operate:

- They can either buy an amount of water 'wholesale' from the incumbent water company for their customer(s). This requires a 'retail' water supply license from Ofwat; or
- Alternatively, a licensee can introduce water into the distribution network of the incumbent water company and then retail it to customers. Strict controls on the quality of the water put into the distribution network are set in conjunction with the Drinking Water Inspectorate. This form of involvement as a new supplier would use common carriage or 3rd party access of the distribution pipe network of the incumbent water company. This requires a 'combined' water supply license from Ofwat. In addition to a supply licence from Ofwat, any abstraction of water from a surface source (e.g. river, stream or canal), or from an underground source, will require an abstraction license from the Environment Agency.

1.3.5 Since the introduction of the WSL regime in December 2005, the outcomes of the competition opportunities are negligible and there have been no switches to licensees. Reasons for the lack of progress in the effectiveness of the current competition regime **may** be the following:

- A lack of information and knowledge about the competition regime available to those eligible to switch water supplier under the Water Act 2003;

- A view that the current recommended access pricing mechanism does not provide sufficient "margin" in the retail offering for new entrants, and that the incentives for entry are weak;
- A perception that the regime is complicated, lacks transparency and lacks 'industry-wide' commitment; including (possible) views that Ofwat and CCWater are lukewarm about competition in that they are concerned about adverse impacts on prices for other water users not included in the competition regime;
- A view that incumbent water companies are too strong and too monopolistic; this is strengthened and reinforced by the vertically integrated business structure of the industry; and
- A view that in recent months the competition regime and Ofwat's central position as "guardian" of the regime have been undermined by judgements from the Competition Appeals Tribunal, in particular finding in favour of Albion Water against Welsh Water, and being critical of the role of Ofwat.

1.3.6 Understanding why competition in the water sector has not been an immediate success needs to be tempered by other factors - not wholly negative. Firstly, the competition regime's first year coincided with significant increases in energy costs, and these would naturally be a priority for company utility bill managers than the relatively stable prices in water. Also water services do have other features not shared by other utility services - such as health issues, proportionately higher sunk cost in infrastructure and movement of water and, in many parts of the South East of England, this year has been one of water scarcity. All these factors contribute to an approach to competition that is likely and reasonable to be conservative and cautious.

1.4 Report structure

1.4.1 In the following chapter, we outline the methodology adopted to achieve the stated research objectives. Chapters Three to Eight detail the research results and Chapter Nine provides our study conclusions and recommendations. Reference to eligible and ineligible respondents relate to non-household customers that under the competition regime are eligible to change supplier or ineligible to change because they do not meet the minimum use criteria of 50Ml per annum and/or other reasons.

2 Methodology

2.1 Introduction

2.1.1 This chapter describes the research design, piloting of the survey process and the main fieldwork.

2.2 Research design

2.2.1 In order to deliver the necessary level and depth of information, a large-scale quantitative survey was undertaken. The survey obtained the views of eligible and ineligible business customers across England and Wales. The survey was administered via email in order to allow business customers to complete the questionnaire at their own choice of time and place. This allowed the recipient to forward the questionnaire to a colleague if they felt they were better placed to respond on behalf of the company.

2.3 Sampling

2.3.1 The research aimed to ensure a response from eligible and ineligible customers.

<u>Eligible Customers</u>

2.3.2 In order to obtain the contact details of eligible customers, Ofwat invited water companies to provide details of all their customers using over 50Ml of water per annum to MVA Consultancy. The water companies were also invited to share details of their ineligible customers using between 5ML and up to, but not including 50 Ml per annum where these were available. To facilitate this, a confidentiality agreement was signed by MVA Consultancy and the appropriate water company. Four water companies elected to send out details of the survey directly to their customers.

2.3.3 In most cases, water companies were only able to supply customer name, address and telephone details and thus short telephone interviews were conducted to obtain the email address of the most appropriate contact (e.g. utilities manager, procurement manager).

2.3.4 In many cases, one contact was responsible for a number of eligible sites across England and Wales, in this case only one email was sent. The contacts database also included a number of Managing Agents. In this case, an email was sent to the managing agent inviting them to either complete the survey on their customers' behalf or forward to each of their customers, as appropriate.

<u>Ineligible Customers</u>

2.3.5 Contact details for ineligible customers were obtained using a commercial database and cross referenced to data from water companies where available. A random sample of large water-using, but ineligible, businesses was selected to cover each of the 10 CCWater regions.

2.3.6 At least 50 of the ineligible responses to the survey were from public or independent sector (e.g. health trusts, educational campuses).

2.3.7 In some cases one contact was identified to respond on behalf of a large number of business customers.

2.4 Questionnaire design

2.4.1 A draft questionnaire was designed around the research objectives and sent to the Steering Group for comment. It included both closed response questions, in order to quantify response and identify differences in views across the sample, and free comment questions to provide further insight into the reasons underlying stated attitudes and experiences.

2.4.2 Based on Steering Group comments, changes to the questionnaire were agreed for piloting. The questionnaire was further amended following the findings from two pilot surveys.

2.5 Piloting of the questionnaire

2.5.1 Two pilot surveys were conducted; firstly to ensure that the questionnaire wording was clear, unambiguous and appropriate for the setting in which it was to be administered; and second, to test the distribution method and estimate likely response rates to the survey.

Stage 1 – Qualitative pilot

2.5.2 The qualitative stage of the pilot provided a cognitive assessment of the questionnaire. Nine interviews were conducted with eligible and ineligible customers and representatives of business groups. They consisted of face-to-face and telephone interviews (depending on respondents' preference) and were conducted by members of the project team.

2.5.3 A report on the qualitative pilot was circulated to the Steering Group and recommendations for changes to the questionnaire were agreed.

Stage 2 – Quantitative pilot

2.5.4 Thirty contacts, fifteen eligible and fifteen ineligible, were sent emails with a weblink to complete the survey. One week after sending out the emails, respondents and a selection of non-respondents were contacted by telephone and asked a series of questions including:

- What would encourage them (more) to respond to the survey (e.g. content, style, format of email; who the sender of the email should be; and, how official the email should be, etc.)?
- Why they did/did not respond to the email?
- When should we send an email reminder or conduct reminder telephone calls?

2.5.5 A note on the quantitative pilot was circulated to the Steering Group and a final version of the questionnaire and survey process was agreed.

2.5.6 A non-electronic copy of the final version of the questionnaire can be found in Appendix A.

2.6 Main Fieldwork

2.6.1 An email, inviting respondents to take part in the survey, was sent to all available eligible customer contacts (1068) and a sample of ineligible customer contacts (2319). The eligible and ineligible customers were spread across the ten CCWater regions.

2.6.2 The email was sent from an Ofwat-identified address and included a link to a secure website on which respondents could complete the survey. A prize draw of £500 of vouchers was included in order to encourage response rate.

2.6.3 The survey took place between Friday 2nd February and Wednesday 7th March. Where appropriate, respondents received two email reminders and one telephone reminder.

2.6.4 It took respondents approximately twenty minutes to complete the survey online.

2.6.5 All respondents were asked if they would prefer to conduct the interview via telephone or receive a postal version of the questionnaire. No respondents chose to take up this offer.

2.7 Data coding and analysis

2.7.1 Data from the online survey was collected using Snap[1] data entry, and directly exported into SPSS[2] where data was cleaned and analysed.

2.7.2 Free comment questions were initially coded by hand, with each comment grouped with like comments and designated a numerical code.

2.7.3 The research aimed to achieve a sample of 500 eligible and 500 ineligible business customers. We therefore sampled all eligible customers whose contact details were available (1068) and a geographically stratified random sample of ineligible customers (2319). The questionnaire details were emailed to a larger sample of ineligible customers as a lower response rate was expected due to lack of knowledge and interest in competition in the industry. As expected, a significantly higher response rate was achieved for eligible customers (see Chapter 3).

2.7.4 A sample of 684, rather than the entire population, completed this survey. All results are therefore subject to sampling tolerances, which means that not all differences in findings are statistically significant. The respondents to the questionnaire are only samples of the total "population", so we cannot be certain that the figures obtained are exactly those we would have if everybody had taken part in the survey. We can, however, predict the variation between the sample results and the 'true' values from a knowledge of the size of the samples on which the results are based and the number of times that a particular answer is given. The confidence with which we can make this prediction is usually chosen to be 95%, that is, the chances are 95 in 100 that the 'true' value will fall within a specified range.

[1] Snap survey software version 8 (www.snapsurveys.com)

[2] SPSS statistical analysis package for social research data

2.7.5 For our total sample the range is approximately 4% at the 50% viewpoint. This means that, with a sample of 684 where 50% give a particular answer, the chances are 19 in 20 that the value, that would have been obtained if the whole population had taken part in the survey, will fall within the range of plus or minus 4% from the sample result. If a total sample of 1000 had been achieved, the range would be approximately 3%.

2.7.6 Our sample of 501 eligible respondents (using no less than 50Ml of water per year) gives a range of approximately 4.5%, and our sample of 183 ineligible respondents (using between 5Ml to 50Ml of water per year) approximately 7%.

2.7.7 Where appropriate, reported results are shown by customer eligibility and respondent type (i.e. single/multiple customer representative), if opinions are significantly different (at the 95% confidence level), this is noted.

2.8 Reporting

2.8.1 In the following chapters, we present the main results under each of the following headings:

- Profile of achieved sample;
- Current water supply services;
- Knowledge of the competition market;
- Engagement in the competition market;
- Barriers to the opening up of the competition market;
- Experience of and aspirations for the competition market; and
- Conclusions and recommendations.

2.8.2 The total number of responses to each question (base figure) is highlighted in the appropriate table/figure. The base will depend on both the number of respondents who qualify to respond to the question (may be dependent on their answer to a previous question) and any missing data (respondents have not entered a response where they are supposed to).

2.8.3 It is important to note that a significant number of respondents represent more than one site. For example: one head office representative is responsible for over 2000 currently ineligible sites across England and Wales; and one managing agent is responsible for over 100 eligible customers. However, in the results that follow each respondent has a weighting of unity and we separately report the views of representatives of single and multiple customers.

3 Profile of achieved sample

Summary of chapter

- The majority of responses received were from company representatives based on-site (75%). However, a significant number (20%) were received from Head Office representatives (responsible for a number of sites).
- A range of business types based across England and Wales and covering all water company areas were represented in the survey.
- The majority of respondents use at least 50Ml of water per year.
- Over half of respondents (57%) expect their level of water use to remain the same in the next 1-2 years. Very few (8%) expect their level of water use to go up or down by more than 10%.
- Water costs generally make up a low percentage of total operating costs, with only 16% indicating 3% or more.

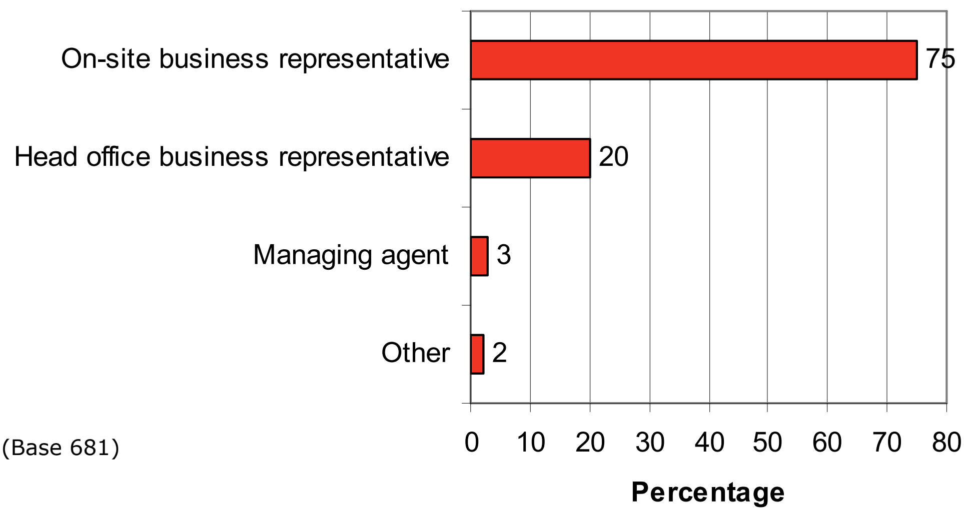
3.1 Introduction

3.1.1 This chapter presents information on the achieved sample including: respondent type; business type being represented; location of business; water company areas represented; levels of water use; expected changes in level of water use; and water bill levels in comparison to total operating costs.

3.2 Respondent type

3.2.1 The majority of responses were received from company representatives based on-site. However, a significant number were received from Head Office representatives (responsible for a number of sites). This is shown in Figure 3.1.

Figure 3.1 Respondent type



(Base 681)

mvaconsultancy

3.2.2 Other respondent types included business owners, energy consultants and energy services managers.

3.2.3 In order to explore the opinions of the different types of respondents, they have been further classified as 'responsible for one site' and 'responsible for multiple sites'. That is, on-site business representatives are 'responsible for one site' and head office business representatives and managing agents are 'responsible for multiple sites'. This classification is used in the report for sub-sample analysis purposes.

3.2.4 There is the same pattern regarding respondent type for eligible and ineligible respondents.

3.3 Business type

3.3.1 A range of business types were represented in the survey, in particular: manufacturing; health and social work; and education. This is shown in Table 3.1.

Table 3.1 Business type

Business type	Percentage
Manufacturing (others, including chemicals and textiles)	34%
Manufacturing (food and drink products)	15%
Health and social work	15%
Education	7%
Public administration and defence	4%
Hotels and restaurants	3%
Power generation	3%
Other	3%
Agriculture, hunting and forestry	2%
Transport, storage and communications	2%
Leisure/arts	2%
Engineering	2%
Wholesale and retail trade	2%
Property development	2%
Construction	1%
Local government	1%
Mining and quarrying	<1%
(Base 668)	100%

3.3.2 This breakdown suggests that around half of businesses, regardless of eligibility, are in manufacturing, with a further fifth in the health and education sectors.

3.3.3 Other business types represented (3%) included: investment banks, consultants (technology, energy); management training (residential), mobile telephone operators, solicitors, and billing bureaus.

3.4 Water company areas

3.4.1 All water company areas were represented in the survey, with high numbers representing the water and sewerage company areas with the larger business bases – i.e. United Utilities, Severn Trent, Thames and Yorkshire.

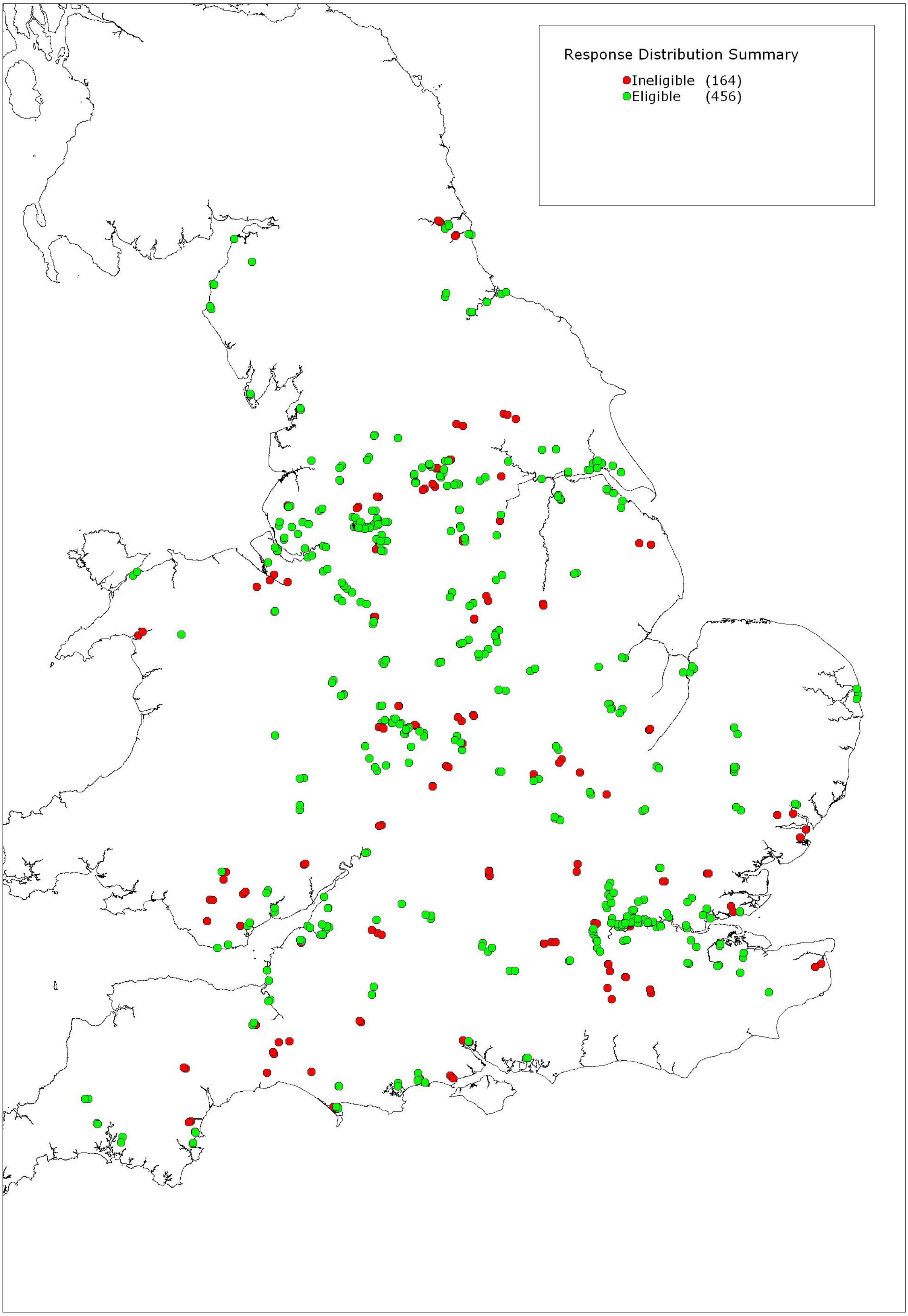
Table 3.2 Water company areas

Water company area	Percentage
United Utilities	14%
Severn Trent	14%
Thames	12%
Yorkshire	10%
Anglian	9%
Dŵr Cymru	6%
Northumbrian	4%
Three Valleys	4%
Wessex	4%
South Staffordshire	3%
Multiple	3%
Essex and Suffolk	3%
South West	3%
Bristol	2%
Mid Kent	2%
Sutton and East Surrey	2%
Southern	1%
Bournemouth and West Hampshire	1%
South East	1%
Portsmouth	1%
Dee Valley	< 1%
Tendring Hundred	< 1%
Aquavitae	<1%
Cambridge	<1%
(Base 666)	100%

3.5 Location of businesses

3.5.1 Figure 3.2 plots the survey responses by their geographical location (however, it should be noted that some responses cover a number of sites across England and Wales). Respondents representing eligible sites are shown in green and ineligible sites in red.

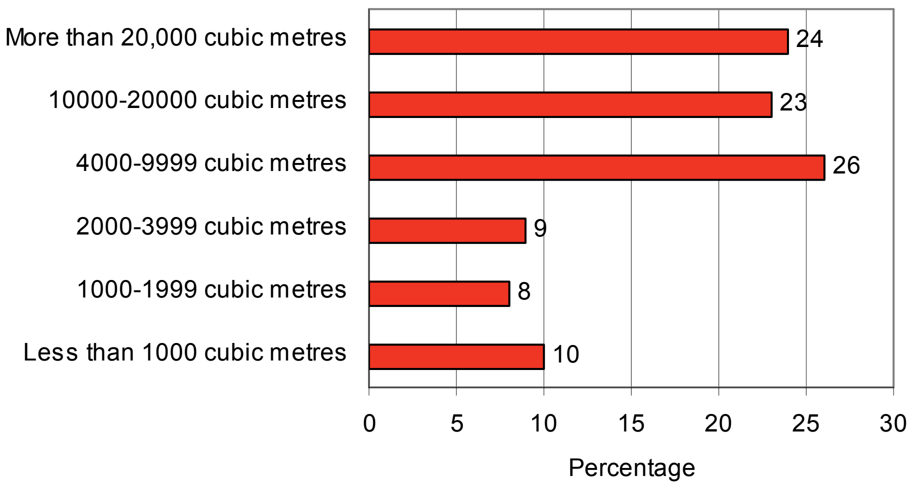
Figure 3.2 Location of businesses



3.6 Level of water use

3.6.1 Respondents were asked to state the level of water use at their main site per month. If level of water use was not known, then respondents were asked to provide details of their last water bill, from which level of water use could be approximated. As can be seen, the majority of respondents represent the views of eligible customers (approximately 73% using no less than 50Ml per year). Results are shown in Figure 3.3.

Figure 3.3 Level of water use per month



(Base 684)

3.6.2 In subsequent sections of this report, water usage has been used to define whether respondents were eligible (>50Ml) or ineligible (<50Ml).

3.7 Expected changes in level of water use

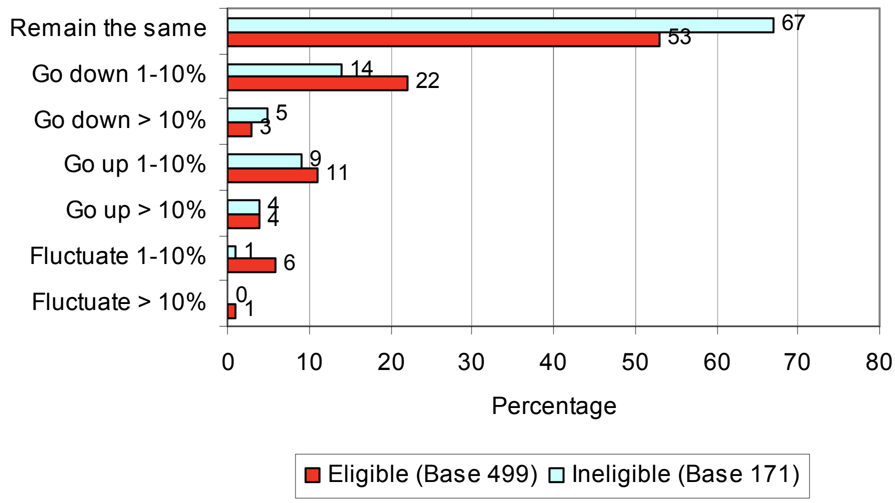
3.7.1 Over half of respondents (57%) expect their level of water use to remain the same in the short-term (over the next 1-2 years). Full details can be found in Table 3.3.

Table 3.3 Expected change in level of water use

Do you expect your level of usage to remain approximately the same in the short-term (say over the next 1-2 years)?	Percentage
Remain the same	57%
Go down 1-10%	20%
Go down > 10%	3%
Go up 1-10%	11%
Go up > 10%	4%
Fluctuate 1-10%	5%
Fluctuate > 10%	1%
(Base 670)	100%

3.7.2 Examining the results by eligibility, it can be seen in Figure 3.4, that, for ineligible respondents water usage is more likely to remain the same.

Figure 3.4 Expected change in level of water use by eligibility



3.8 Water costs in relation to total operating costs

3.8.1 Water costs generally make up a low percentage of total operating costs, with 61% of respondents indicating that this was up to 2% and a further 24% that they 'do not know'. This is shown in Table 3.4.

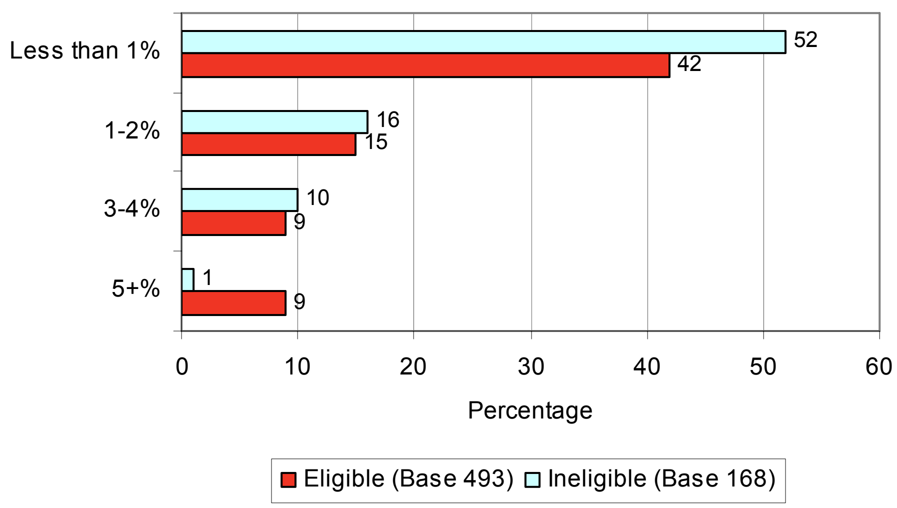
mvaconsultancy

Table 3.4 Water costs in relation to total operating costs

Approximately, what percentage does your water bill make up of your total operating costs?	Percentage
Less than 1%	45%
1%-2%	16%
3%-4%	9%
5+%	7%
Don't know	24%
(Base 661)	100%

3.8.2 Ineligible respondents' water costs compared to total operating costs are more likely to be less than 1% and less likely to be more than 5% compared to eligible respondents. This is shown in Figure 3.5.

Figure 3.5 Water costs in relation to total operating costs by eligibility



4 Current water supply services

Summary of chapter

- A similar number of respondents indicated that they were satisfied with their last water bill in terms of price (28%) compared to dissatisfied (26%). A large percentage (47%) was 'neither satisfied or not satisfied'.
- Representatives of multiple sites were, in general, slightly less satisfied with the price of their last water bill (multiple sites 19% 'very' or 'quite' satisfied, singles sites 31%).
- Those respondents who were satisfied with the price of their last water bill mainly selected the following reasons: reliability of water supply; customer relations; and service provision. Those who were not satisfied mainly selected the price level of their bill.
- In general, respondents were satisfied with the quality of service they receive from their incumbent water company (58% 'very' or 'quite' satisfied).
- Representatives of multiple sites were, in general, slightly less satisfied with the quality of service they received compared to respondents representing single sites (multiple sites 36% 'very' or 'quite' satisfied, single sites 66%).
- Those respondents who were satisfied with the quality of service from their incumbent water company mainly selected the following reasons: water supply is reliable; and supplier always responds quickly to any problem. Those that were not satisfied mainly selected: supplier is reactive rather than proactive; poor supplier response to on-site problems; and supplier unwilling to consider/suggest ways of reducing usage.

4.1 Introduction

4.1.1 Respondents' satisfaction levels with both current prices and quality of water supply services are presented in this chapter and reasons for their views.

4.2 Satisfaction with price

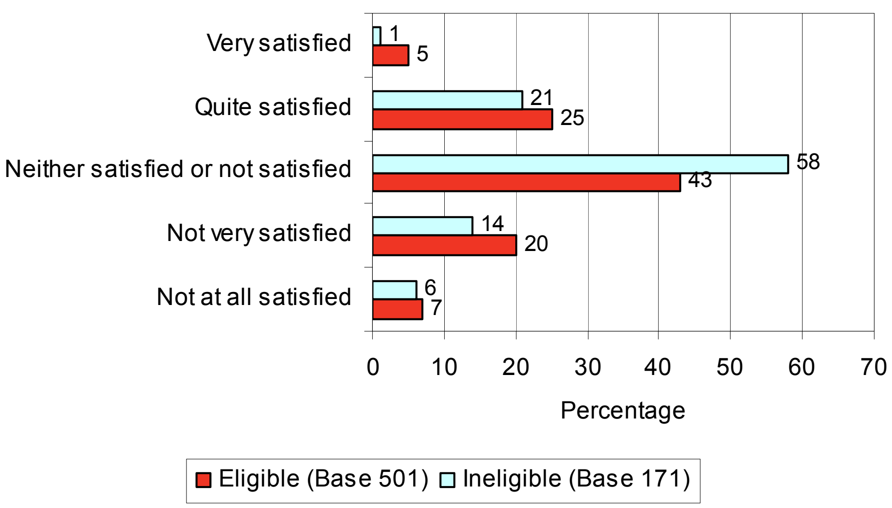
4.2.1 More respondents indicated that they were satisfied (28% 'very' or 'quite') with their last bill in terms of value for money, than dissatisfied (26% 'not very' or 'not at all'). Full details are shown in Table 4.1. As can be seen, a large percentage (47%) were 'neither satisfied or not satisfied'.

Table 4.1 Satisfaction with price of last water bill

Level of satisfaction	Percentage
Very satisfied	4%
Quite satisfied	24%
Neither satisfied or not satisfied	47%
Not very satisfied	19%
Not at all satisfied	7%
(Base 672)	100%

4.2.2 Examining the results of eligible customers compared to ineligible, there are some differences as shown in Figure 4.1.

Figure 4.1 Satisfaction with price of last water bill by eligibility

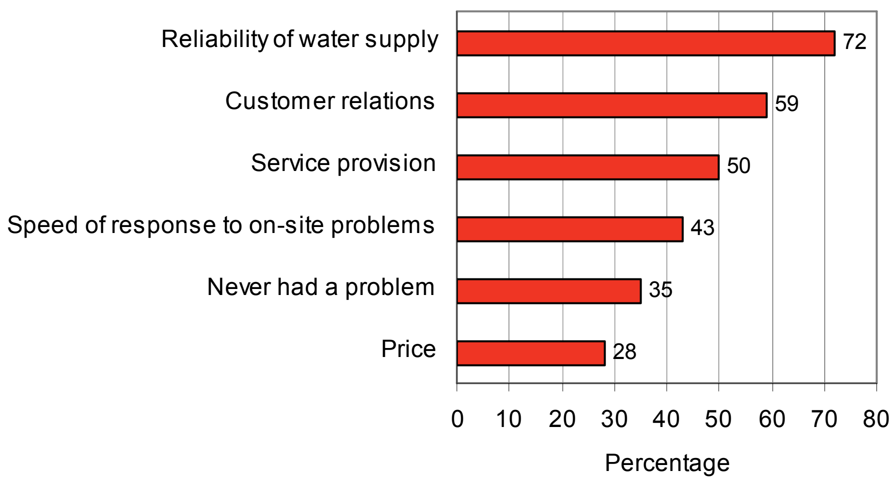


4.2.3 Representatives of multiple sites were, in general, slightly less satisfied with the price of their last water bill. Results are shown in Figure 4.2.

Figure 4.2 Satisfaction with price of last water bill by respondent type

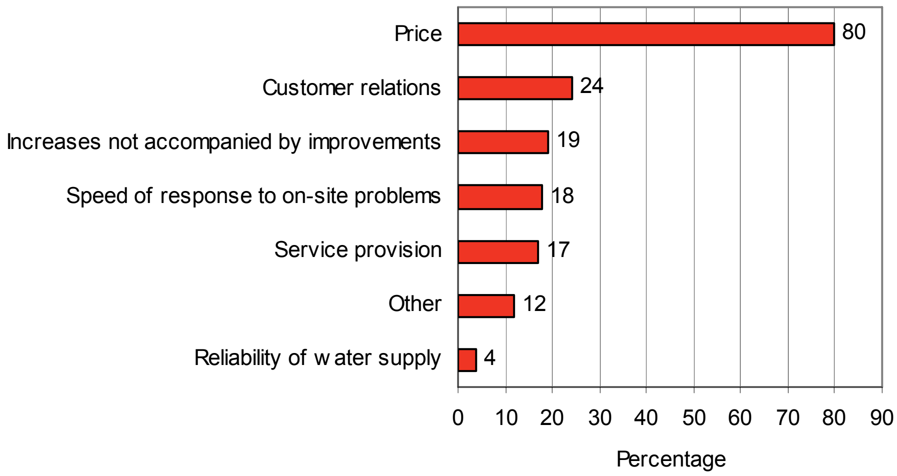
4.2.4 Those respondents who stated that they were satisfied with their last bill mainly stated that this was due to: reliability of water supply; good customer relations; and good service provision. Those that were not satisfied stated that this was mainly due to a perceived high price (80%). Full details can be found in Figures 4.3 and 4.4.

Figure 4.3 Reasons for level of satisfaction (price) – very or quite satisfied (multiple response)



(Base 187)

Figure 4.4 Reasons for level of satisfaction (price) – not very or not at all satisfied (multiple response)



(Base 172)

4.2.5 12% of respondents gave other reasons for a lack of satisfaction with the price of their bill in terms of value for money. These included: maximum daily demand figures; use of estimates and inaccurate figures; above inflation price rises; lack of communication regarding price rises; no opportunity to challenge or review costs; charging structure too complex; and being efficient and saving water can lead to higher charges (due to charging structure).

"Maximum daily demand figures are unfair."

"I was unaware of a price increase until the end of budget year and therefore had to re-shuffle budgets, which in turn led to delays in major project."

"The price is never discussed or negotiated based on volume consumed, no incentive to review our costs for water."

4.2.6 Details of levels of satisfaction by CCWater area can be found in Appendix B. It should however be noted that sample sizes are too small to be statistically robust.

4.3 Satisfaction with quality of service

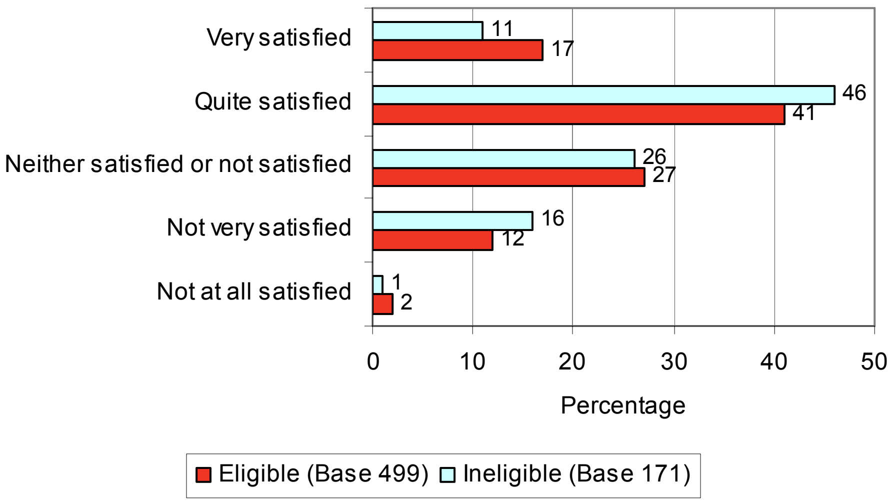
4.3.1 In general, respondents were satisfied with the quality of service they receive from their incumbent water company, with 58% stating that they were 'very' or 'quite' satisfied. However, 15% were 'not very' or 'not at all' satisfied. This is shown in Table 4.2.

Table 4.2 Satisfaction with quality of service

Level of satisfaction	Percentage
Very satisfied	16%
Quite satisfied	42%
Neither satisfied or not satisfied	27%
Not very satisfied	13%
Not at all satisfied	2%
(Base 684)	100%

4.3.2 When one examines the results of eligible and ineligible customers, it can be seen that eligible customers were slightly more satisfied with the quality of service they receive from their water company compared to ineligible customers. Results are shown in Figure 4.5.

Figure 4.5 Satisfaction with quality of service by eligibility



4.3.3 Managing agents and head office representatives indicated that they were significantly less satisfied with the quality of service they received compared to respondents representing one site. Results are shown in Figure 4.6.

Figure 4.6 Satisfaction with quality of service by respondent type

4.3.4 Those respondents who stated that they were satisfied with the quality of service from their current water company mainly selected the following reasons: their water supply is reliable (87%); supplier always responds quickly to any problem (54%); they have never had a problem (32%); and that their supplier is willing to consider/suggest ways of reducing their water usage (30%). Results are shown in Figure 4.7

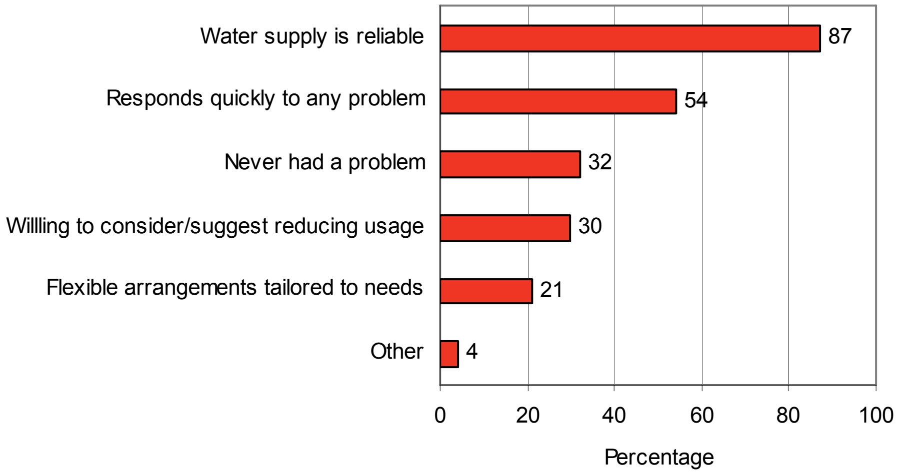
4.3.5 Other reasons given related to the relationship they had with either their water company or their account manager/customer services manager.

*"We have a good relationship with ***. They have a good understanding of our operation and requirement, we have regular meetings and updates."*

"Good relationship, personal service from customer services manager."

4.3.6 Full details can be found in Figures 4.7.

Figure 4.7 Reasons for level of satisfaction (quality) – very or quite satisfied



(Base 390)

4.3.7 Those that were not satisfied with the quality of service they have received from their current supplier mainly selected the following reasons: supplier being reactive rather than proactive; a poor response to on-site problems; and supplier unwilling to consider/suggest ways of reducing usage.

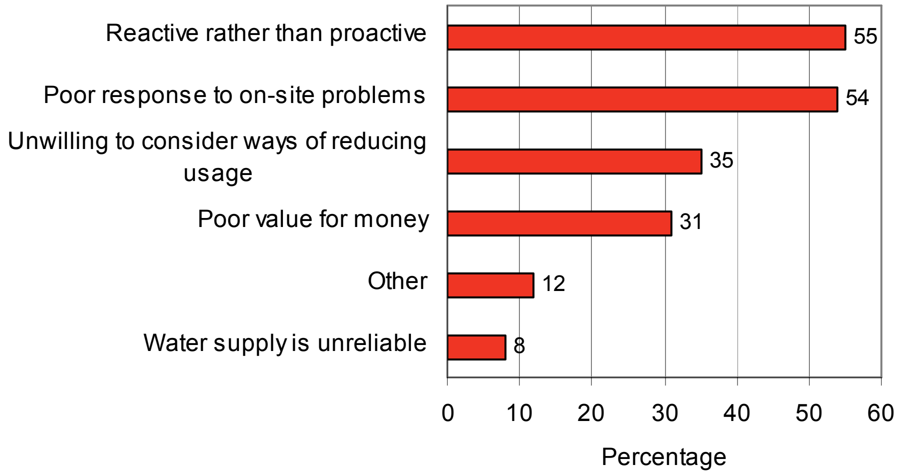
4.3.8 Other reasons given for low levels of satisfaction with the quality of service included: billing errors/problems; slow response/lack of response to queries; and difficulty in contacting account manager.

"Difficulty in making billing periods match accounting periods or calendar months."

"Difficulty in contacting key account manager and the delay in resolving invoicing errors and credits."

4.3.9 Full details can be found in Figure 4.8.

Figure 4.8 Reasons for level of satisfaction (quality) – not very or not all satisfied



(Base 101)

4.3.10 Details of satisfaction levels for each of the CCWater areas can be found in Appendix B.

5 Knowledge of the competition market

Summary of chapter

- The majority of respondents (68%) stated that they had heard about competition in water supply services for large users (prior to receiving the questionnaire).
- Those who had heard about the regime gave the following as opportunities that they thought it offered for their business: reduced/lower bills; competitive tendering; and ability to purchase water from another company/remove the monopoly.
- Approximately one-third (32%) of respondents stated that they have received information regarding the competition regime, 11% have actively sought information and a further 14% have received and actively sought information.
- In general, ineligible respondents were less likely to have received/sought information (61% not received/sought) compared to eligible respondents (39% not received/sought). Single site respondents were also less likely to have received/sought information (50% not) compared to multiple sites (24% not).
- Respondents have mainly received information from new suppliers, their incumbent water company and/or Ofwat.
- Only 12% of respondents indicated that they are aware of licensees in the water industry (76% not aware, 12% don’t know). Aquavitae was the licensee most commonly known by respondents.
- 81% of respondents indicated that they would like to receive information in the future regarding the competition regime. The main information they would like to receive are the tariffs offered by competitors in their area. 91% would like Ofwat to provide this information and 81% would like it to be provided via an email alert.

5.1 Introduction

5.1.1 This chapter focuses on customers’ knowledge of the competition regime and what it means for their business. In addition, it presents data on information they have received or actively sought regarding competition and their awareness of and reaction to licensees. Finally, it details what information, if any, business customers feel they need to build and enhance their knowledge of the competition regime.

5.2 Knowledge of Water Supply Licensing

5.2.1 The majority of respondents stated that they had heard about competition in water supply services for large users of water (prior to receiving the questionnaire). Details are shown in Table 5.1.

Table 5.1 Knowledge of the WSL

Had you heard about competition in water supply services for large users of water?	Percentage
Yes	68%
No	29%
Not sure	3%
(Base 674)	100%

5.2.2 A significantly higher percentage of eligible respondents (75%) indicated that they had heard about competition in water supply than ineligible (49%). Similarly, a significantly higher percentage of multiple site representatives (81%) had heard about competition than single site representatives (64%).

5.2.3 Those respondents who indicated that they had heard about the competition regime were asked to describe what they understood to be the opportunities for their company. Responses were provided in free format and were mainly related to: reduced/lower bills; competitive tendering; ability to purchase water from another company/remove the monopoly; and limited (due to lack of benefits, eligibility, suppliers, long-term agreements etc.).

"Free market will hopefully lower prices because of competition."

"Competitive tendering of water supply services."

"To buy water from different suppliers, as per electricity and gas."

"We have and continue to investigate at several sites the potential to buy deregulated water however I do not think that there are sufficient savings available at this time to make it worthwhile because common carriage costs are too high and wholesale discounts too low."

*"In terms of competition - none. As a large multi-site organisation with an annual water/sewerage spend approaching £1million we should be able to negotiate more flexible arrangements. Currently *** hide behind the regulator and ignore our collective water usage."*

5.2.4 Only 2% of respondents stated that they expected the opportunities for their company to be better services/improved quality of service. Full details can be found in Table 5.2.

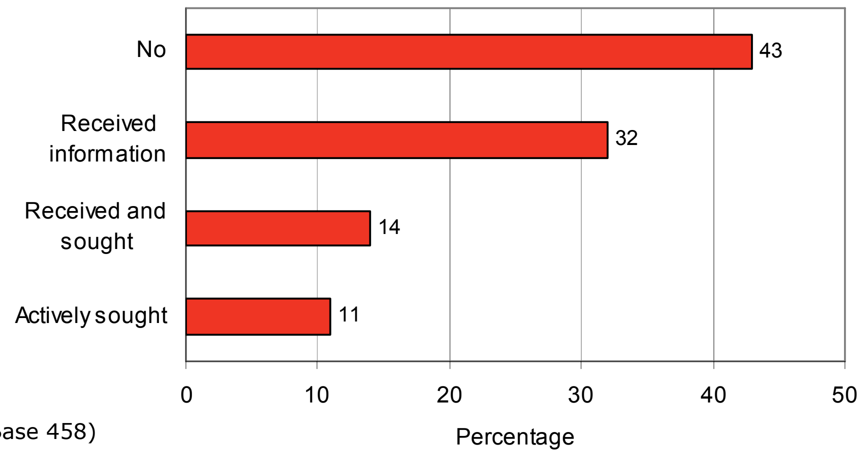
Table 5.2 Opportunities of WSL for your company

Comment	Percentage
Reduced/lower bills	30%
Competitive market/tendering	20%
Buy from another supplier/remove the monopoly	13%
Limited (due to lack of eligibility, suppliers, long-term agreements etc.)	8%
Savings/benefits are not sufficient	6%
Does not include multiple sites	4%
None	2%
Don't understand how it works/Don't know	3%
Better services/improved quality of service	2%
(Base 398)	100%

5.3 Information on WSL received or sought

5.3.1 Respondents were asked if they had received or actively sought information about competition in the water industry within the last year. Approximately one-third have received information (32%), one in ten (11%) have actively sought and a further 14% have received and actively sought. Responses are shown in Figure 5.1.

Figure 5.1 Information received or sought

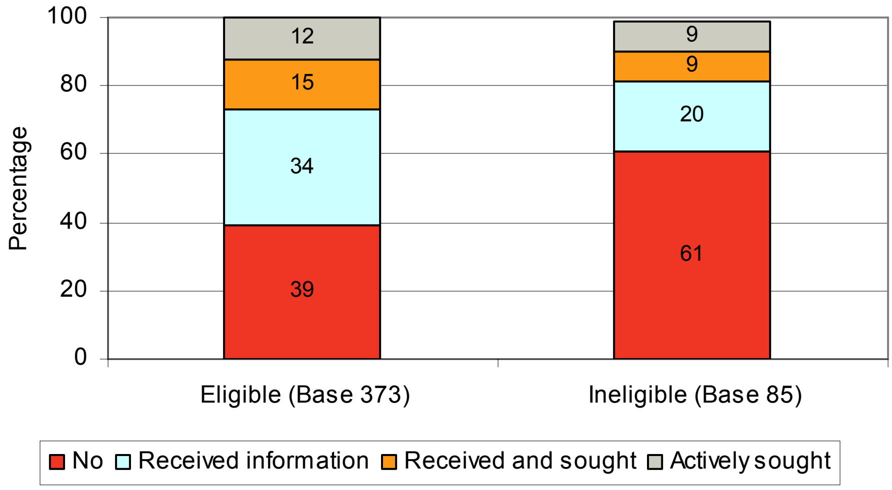


(Base 458)

5.3.2 In general, eligible respondents were more likely to have received and actively sought information. With 61% of ineligible respondents stating that they had **not** received or sought information on the competition regime compared to 39% of eligible respondents. This is shown in Figure 5.2.

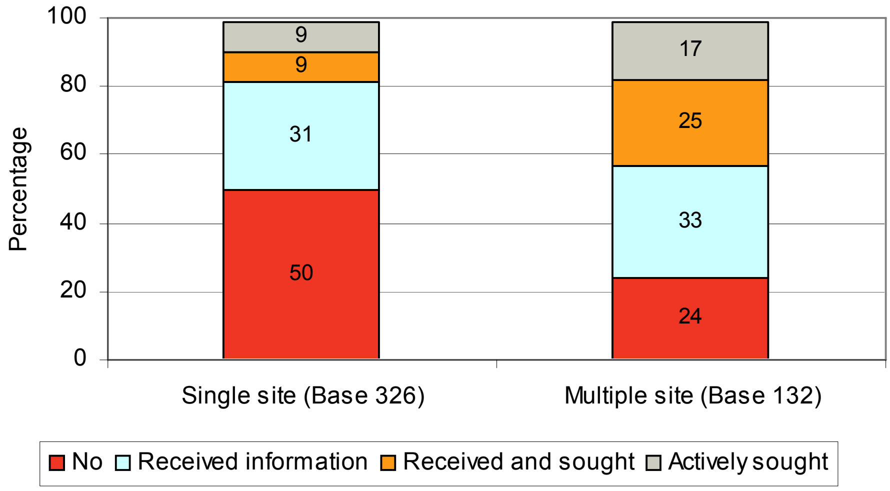
mvaconsultancy

Figure 5.2 Information received or sought by eligibility



5.3.3 As can be seen in Figure 5.3, multiple site representatives were also more likely to have received/sought information regarding the competition regime than single site representatives. With only 24% of multiple site representatives **not** having received or sought information compared to 50% of single site representatives.

Figure 5.3 Information received or sought by respondent type



5.3.4 Those respondents who indicated that they had received information in the last year, were asked from whom they had received information. Information has mainly been received from licensees (new suppliers), incumbent water company and Ofwat. Full results are shown in Table 5.3.

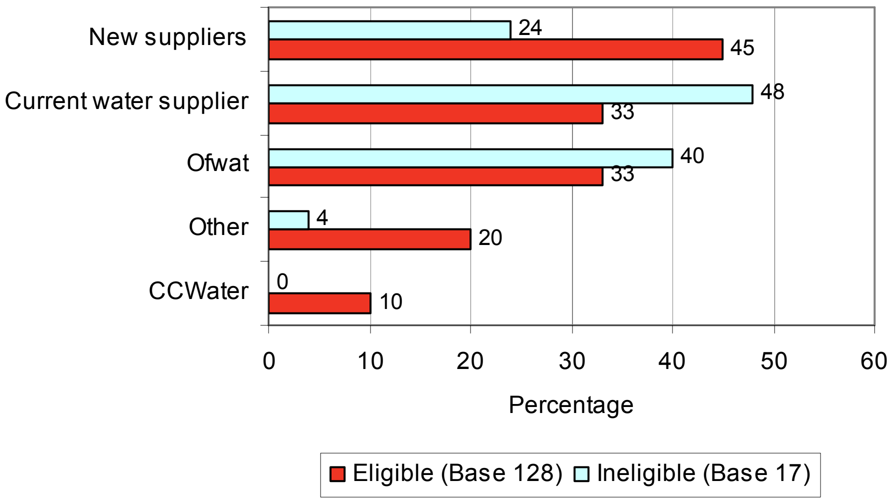
Table 5.3 Who has provided you with the information? (Multiple response)

Organisation	Percentage
New suppliers	42%
Current water supplier	35%
Ofwat	34%
Other	18%
Consumer Council for Water	9%
(Base 208)	

5.3.5 Other organisations included: EIC (Energy Information Centre); NHS Purchasing And Supply Agency (PASA); industry magazines; water/energy consultants; corporate/head office staff; defra; and purchasing consortium.

5.3.6 Examining this by eligibility shows that ineligible respondents are less likely to have been provided with information by a licensee and more likely to have received it from either Ofwat or their incumbent water company. This is shown in Figure 5.4, however, in the case of ineligible respondents, the base sample size is very small.

Figure 5.4 Who has provided you with this information by eligibility (multiple response)



5.3.7 The vast majority of respondents (78%), who have received information from a licensee, have received information from only one. 19% have received information from two licensees and 3% have received information from three.

5.3.8 Respondents who have sought information (number of respondents in brackets) have mainly done so regarding alternative suppliers in their area (29), guidance on the competition regime (21), information on rules and regulations (18), and information on cost benefits (15). The Internet has been the main tool used for seeking information.

5.4 Awareness of licensees

5.4.1 When asked, 12% of respondents indicated that they were aware of licensees (new suppliers) in the water industry (76% not aware, and 12% Don't know).

5.4.2 In general eligible respondents were more aware of licensees. This is shown in Table 5.4.

Table 5.4 Awareness of licensees by eligibility

Are you aware of any new suppliers?	Eligible	Ineligible
Yes	14%	7%
No	71%	88%
Don't know	15%	5%
(Base)	(276)	(113)

5.4.3 Respondents who indicated that they were aware of licensees, were asked to write in the names of any licensees of whom they are aware. The licensees that respondents were aware of include (number of respondents in brackets - multiple responses allowed):

- Aquavitae (31);
- Severn Trent Select (7);
- Various water companies (4);
- Anglian Water - referring to associate licensee (2);
- Yorwater (2); and
- United Utilities – referring to associate licensee (2).

5.4.4 The low level of response is an indication that, although a high percentage of respondents indicated that they had heard about the competition regime for water supply, very few have detailed knowledge.

5.4.5 Respondents who indicated that they were aware of licensees, were asked if any of the licensees offer anything different to their current water supplier. Responses are shown in Table 5.5 (it should be noted that the base size is small).

Table 5.5 Services offered by licensees (Multiple response)

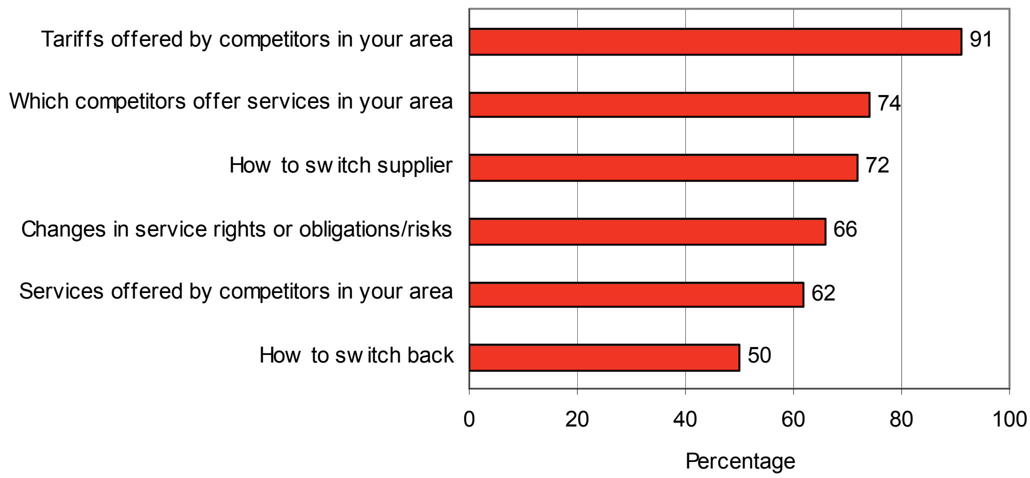
Service	Percentage
Lower bills	48%
Customer service tailored to business needs	26%
More accurate billing	13%
Tariff structures tailored to large users	9%
A more reliable supply	<1%
(Base 46)	

5.5 Future provision of information

5.5.1 81% of respondents indicated that they would like to receive information in the future regarding competition in the water industry. Slightly more eligible respondents (83%) would like to receive information than ineligible (75%). There was no difference in respondent type.

5.5.2 When asked to indicate which types of information they would like to receive, respondents selected a wide range of different types of information. Full details are shown in Figure 5.5.

Figure 5.5 Types of information respondents would like to receive



(Base 538)

5.5.3 Other information requests included (number of respondents in brackets): performance reports on suppliers (3); and multiple site deals (2).

5.5.4 Respondents were asked whom they would like to provide them with this information. In general, respondents would like Ofwat to provide the information. Other organisations mentioned included: OGC Buying Solutions (for government contracts); and the NHS PASA. Full details can be found in Table 5.6.

Table 5.6 Who should provide information (Multiple response)

Who would you like to provide you with this information?	Percentage
Ofwat	91%
Current water supplier	31%
Business customer representative groups	24%
Licensees	21%
CCWater	11%
Other	1%
(Base 538)	

5.5.5 The majority of respondents would like to receive the information in the form of an email alert. Full details are in Table 5.7.

Table 5.7 How should information be provided (Multiple response)?

How would you prefer to receive this information	Percentage
Email alert	81%
Website	35%
Newsletter	28%
Face-to-face meeting	11%
(Base 538)	

6 Engagement in the competition market

Summary of chapter

- The majority of respondents (84%) indicated that they were supportive of the competition regime.
- 58% of respondents indicated that they thought their company was eligible to change water supplier, with a large proportion being unsure (31%). Of those who indicated that they are unsure, 59% are eligible based on their level of water use.
- Of those respondents who indicated that they believed they were eligible, the majority (61%) stated that they were likely to consider changing their supplier. Those who indicated that they were likely to remain with their currently supplier mainly selected the following reasons: content with current supplier; and nothing to gain by switching.
- Similarly, 61% of respondents who believed that they were ineligible were likely to consider changing supplier if they became eligible.
- Lower bills offered by new suppliers was the main item selected to make a respondent more likely to consider changing supplier.
- For those respondents who would be more likely to change supplier for price reasons (94%), the majority (69%) stated that a competitor's service would need to be between 5% and 10% cheaper.
- The main reasons, other than price, for which customers may consider switching supplier included water efficiency audits and leakage detection.
- The majority of respondents would not be willing to pay higher water bills in order to receive a more tailored service, with only 5% stating that they would be 'very' or 'quite' willing.

6.1 Introduction

6.1.1 This chapter presents data on respondents' perception that their business is eligible or not to change supplier and why, the level of support for competition in the industry and data regarding likelihood of changing supplier and reasons for their view. In addition, we discuss what would make respondents more likely to consider changing supplier. In this chapter we also discuss whether respondents are prepared to pay higher bills in order to receive a more tailored service.

6.2 Current eligibility

6.2.1 58% of respondents indicated that they thought their company was eligible to change water supplier, with a large proportion being unsure (31%). 27% of respondents were definite that they were eligible; but 31% were **not** definite. Table 6.1 shows the percentage of business customers who considered themselves to be eligible for the regime.

Table 6.1 Perceived eligibility

Do you think that your business is eligible to change water supplier?	Percentage
Yes definitely	27%
Yes probably	31%
Not quite	5%
Not at all	6%
Don't know	31%
(Base 684)	100%

6.2.2 Of those who believe they are 'definitely' or 'probably' eligible, in fact, 85% are eligible based on their level of water use and 15% ineligible.

6.2.3 Of those who believe they are 'not quite' or 'not at all eligible', in fact, based on their water use 53% are eligible. However level of water use is not the only eligibility criteria and thus these respondents may actually be correct.

6.2.4 Of those who indicated that they 'don't know', 59% are eligible based on their level of water use and 41% ineligible.

6.2.5 Examining responses of those who are eligible based on their level of water use, shows that 33% are definite that they are eligible and a further 34% think that they are probably eligible (4% 'not sure', 4% 'not at all', 25% 'don't know').

6.2.6 Respondents who indicated that they were eligible gave the following reasons (open question, base 331):

- Level of water volume used/Large user (67%);
- Have been approached by a new supplier/have looked for a new supplier (15%);
- Presume/There is competition/Probably (14%);
- Have multiple sites (3%); and
- Not sure (1%).

6.2.7 Respondents who indicated that they were ineligible gave the following reasons (open question, base 70):

- Level of water volume user/Small user (56%);
- Due to eligibility enquiry (17%);
- Not been approached by a new supplier (16%);
- Long term agreement with current supplier (6%); and

- Due to current criteria (e.g. multi site, location).

6.3 Support for competition

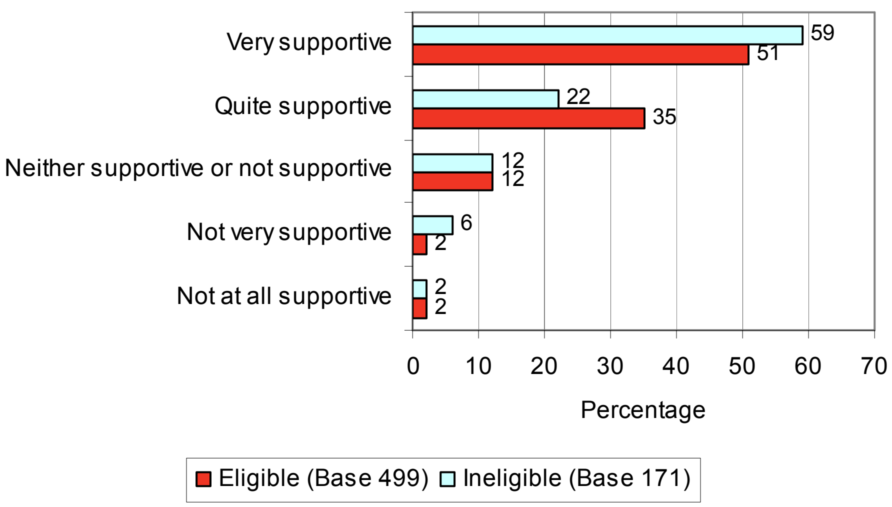
6.3.1 Respondents were asked, in principle, how supportive they were of competition in the water industry. As can be seen in Table 6.2, the vast majority of respondents are supportive, with 84% being 'very' or 'fairly' supportive.

Table 6.2 Support for competition

In principle, are you supportive of competition in the water industry?	Percentage
Very supportive	52%
Fairly supportive	32%
Neither supportive or unsupportive	12%
Not very supportive	2%
Not at all supportive	2%
Don't know	<1%
(Base 684)	100%

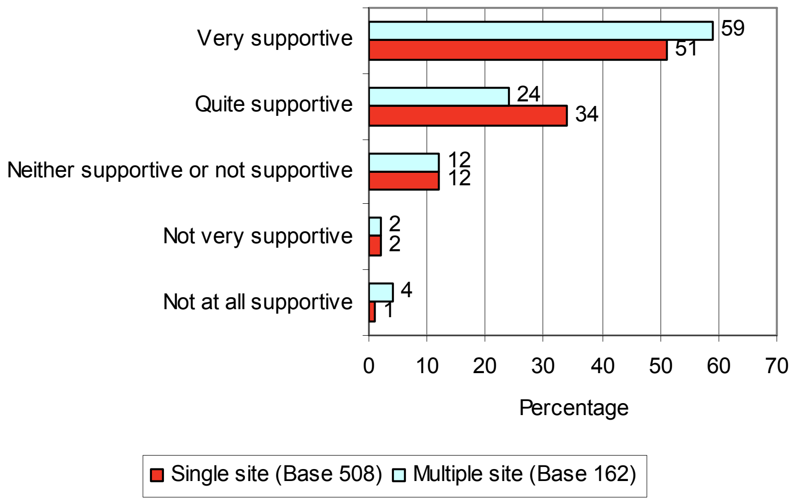
6.3.2 Examining these results by eligibility and respondent type, similar patterns emerge. Data is shown in Figures 6.1 and 6.2. As can be seen, although overall support is similar for eligibility, ineligible respondents are more likely to be 'very supportive' rather than 'quite supportive' compared to eligible respondents.

Figure 6.1 Support for competition by eligibility



6.3.3 Multiple site representatives are more likely to be 'very supportive' rather than 'quite supportive' compared to single site representatives.

Figure 6.2 Support for competition by respondent type



6.4 Likelihood of changing supplier

6.4.1 Respondents who believe they are currently eligible to change supplier were asked how likely they thought it was that their business would consider a change. The majority of respondents indicated that they are 'very' or 'quite' likely to consider changing their water supplier (61%). Full results are shown in Table 6.3.

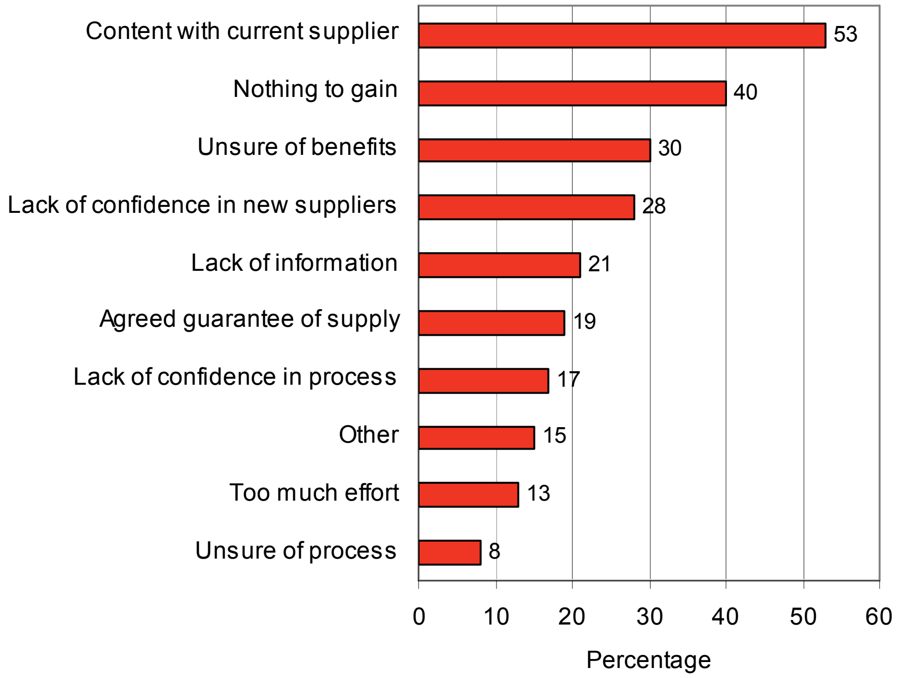
Table 6.3 Consider changing water supplier

Given the current situation, how likely do you think it is that your business will consider a change in water service supplier?	Percentage
Yes likely to consider changing supplier	23%
Quite likely to consider changing supplier	38%
Neither	11%
Quite likely to remain with current supplier	21%
Very likely to remain with current supplier	6%
(Base 384)	100%

6.4.2 There were no significant differences when comparing results by respondent type.

6.4.3 Those respondents who indicated that they were quite or very likely to remain with their current supplier were asked why in a free form question. As can be seen in Figure 6.3 the main reason selected included: content with current supplier; nothing to gain by switching; unsure of the benefits of switching; and lack of confidence in new suppliers (licensees). Other responses that were given were mainly related to the lack of financial benefits in switching, concerns about the use of incumbents' infrastructure and the lack of inclusion of trade effluent.

Figure 6.3 Why remain with current supplier?



6.4.4 Respondents were also asked, if they had ticked more than one response, to indicate which was the main reason. The main reasons selected were:

- Nothing to gain by switching (39%);
- Content with existing water supply company (30%);
- Lack of confidence in new suppliers (9%);
- Too much effort to switch (6%);
- Agreed guarantee of your water supply for business purposes (6%);
- Lack of confidence in the process (5%);
- Lack of information to aid decision (3%); and
- Unsure of the benefits (2%).

6.4.5 Respondents who believe they are ineligible to change supplier (or do not know), were asked if their business were to become eligible how likely they would be to change supplier. Table 6.4 details the results.

Table 6.4 Likelihood of changing supplier – ineligible/don't know

If your business were to become eligible, how likely would you be to change your supplier?	Percentage
Very likely	9%
Quite likely	52%
Neither	25%
Not very likely	14%
Not at all likely	<1%
(Base 282)	100%

6.4.6 All respondents were asked to indicate, from a list, which items would make them (more) likely to consider changing their water service supplier. As can be seen in Table 6.5, lower bills was selected by 93% of respondents. Other items identified included: ability to provide a service for multiple sites; improved billing arrangements/more accurate billing; and free online meter reading/access to water bills online.

Table 6.5 What would make you more likely to consider changing your supplier? (Multiple response)

Which of the following makes, or would make, you more likely to consider changing your water service supplier?	Percentage
Lower bills offered by new suppliers	93%
Better services offered by new suppliers	49%
Guarantee that you could switch back and receive your current service provision	40%
Perception that current water company's charges are too high	27%
In order to exercise choice in the market	24%
New suppliers' reputation and reliability	21%
Current water company's attitude to customer service	15%
Current water company's tariffs and service not sufficiently tailored to my requirements	13%
Current service level is poor	10%
Other	3%
(Base 684)	

6.4.7 Respondents were also asked, if they had ticked more than one response, to indicate which was the main reason. Findings are shown below:

- Lower bills offered by new suppliers (75%);
- Better services offered by new suppliers (10%);
- Guarantee that you could switch back and receive your current service provision (8%);
- Current water company's tariffs and service not sufficiently tailored to my requirements (3%);
- In order to exercise choice in the market (2%);
- Current service level is poor (1%);
- Perception that current water company's charges are too high (1%); and
- New suppliers' reputation and reliability.

6.4.8 Results by eligibility are very similar. However, eligible customers were more likely to indicate that 'guarantee that you could switch back and receive your current service provision' would make them more likely to consider changing their supplier . Full results are shown in Figure 6.4.

6.4.9 Representatives of multiple sites were more likely to select better service offered by licensee (62% multiple site, 45% single site), current water company's attitude to customer service (28% multiple site, 10% single site), and current service level poor (23% multiple site, 6% single site). In addition, representatives of multiple sites were less likely to select lower bills offered by new suppliers (87% multiple site, 96% single site), however this was still the most commonly selected option. Full results are shown in Figure 6.5.

Figure 6.4 Which would make you more likely to consider changing your supplier? – by eligibility

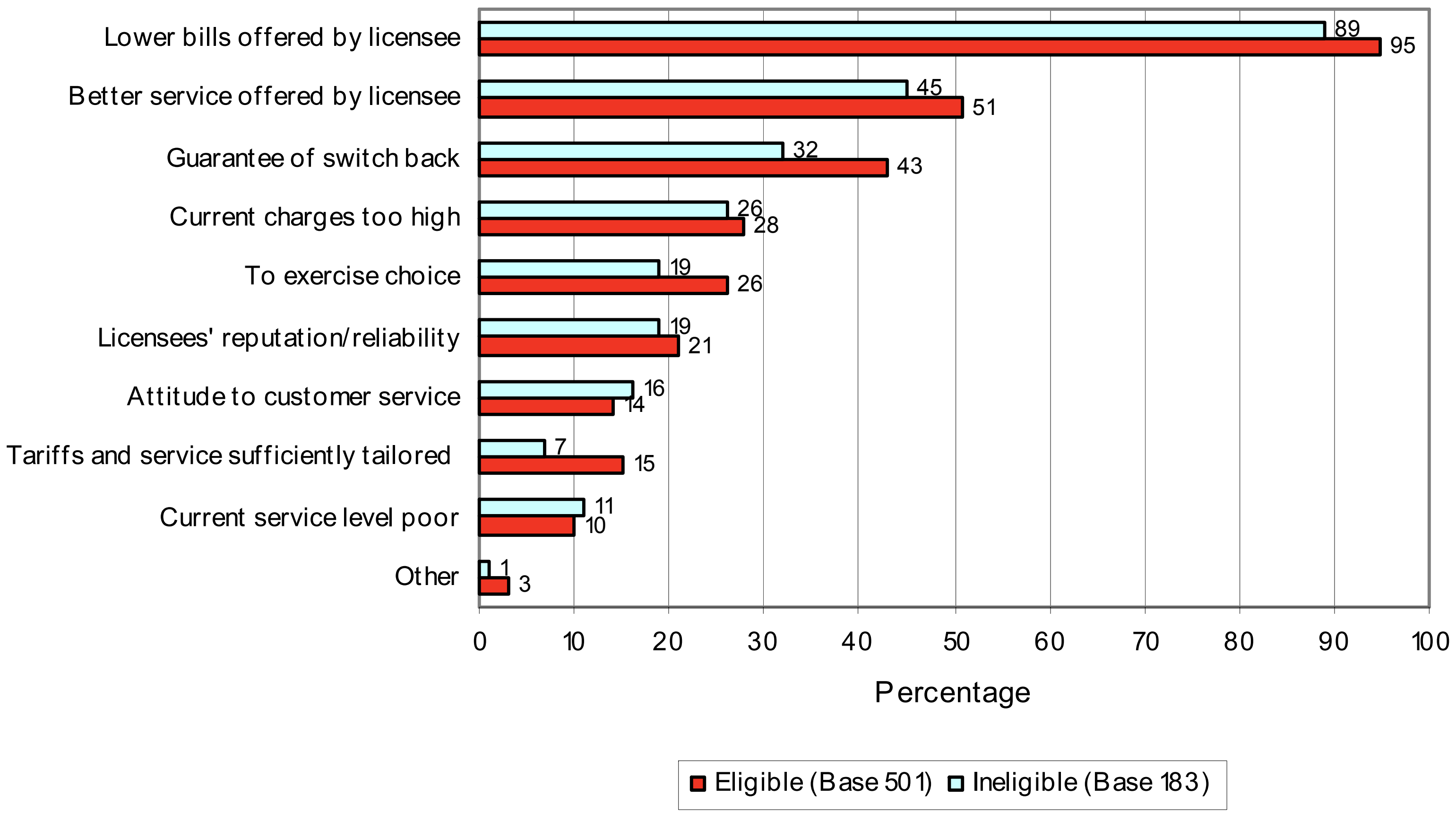
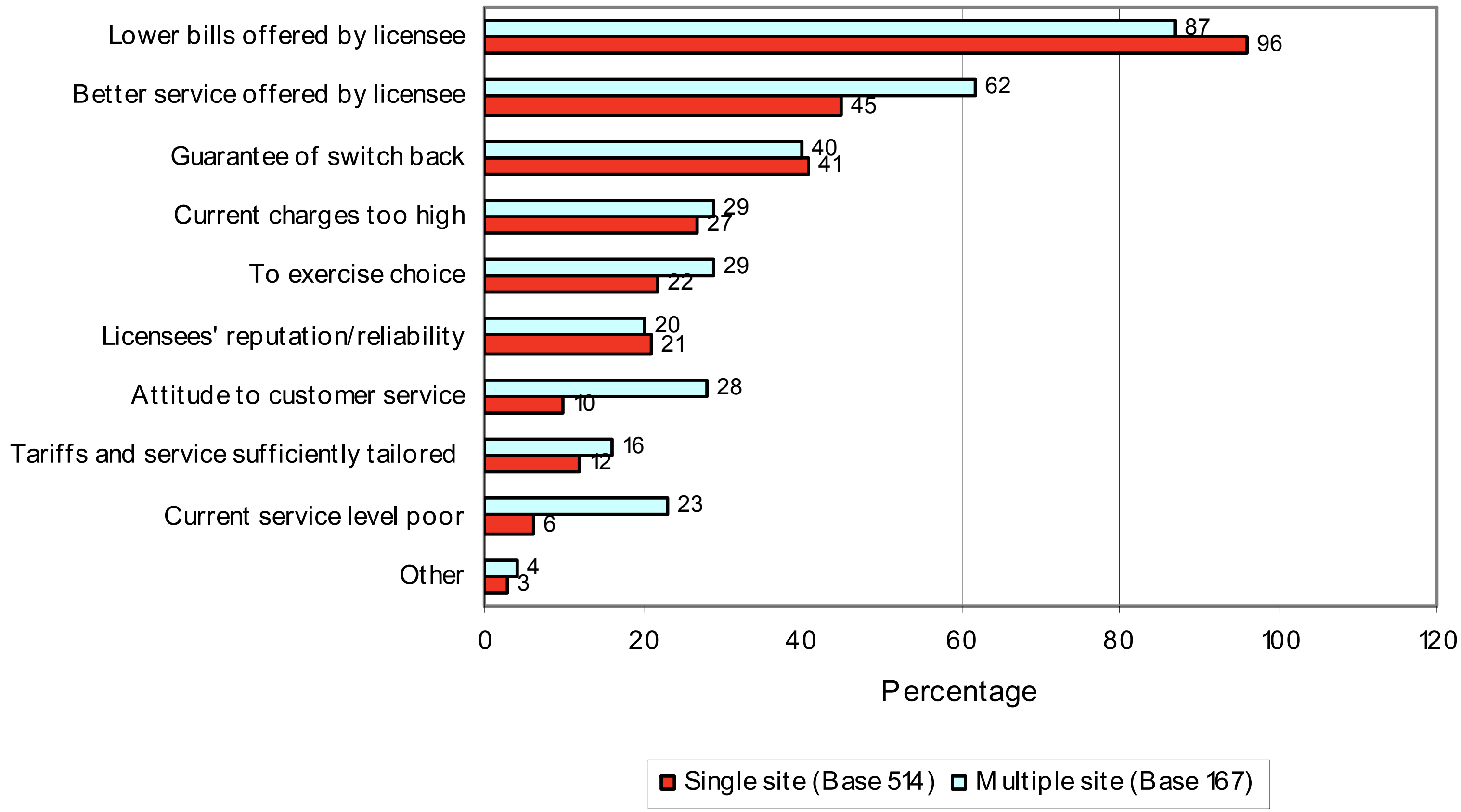


Figure 6.5 Which would make you more likely to consider changing your supplier? – by respondent type



6.4.10 Respondents who had indicated that they would be (more) likely to consider changing their water service supplier based on the price of services (94% of total sample), were asked how much cheaper a competitor's service would need to be. The majority of respondents indicated that a competitor's services would need to be between 5% and 10% cheaper (69%). Full details are in Table 6.6.

Table 6.6 How much cheaper would competitor's service need to be?

How much cheaper would a competitor's services need to be?	Percentage
No different	<1%
1% - 2%	5%
3% - 4%	9%
5%	24%
6% - 9%	12%
10%	33%
11% - 14%	3%
15%	6%
16% - 19%	1%
20% +	6%
(Base 636)	100%

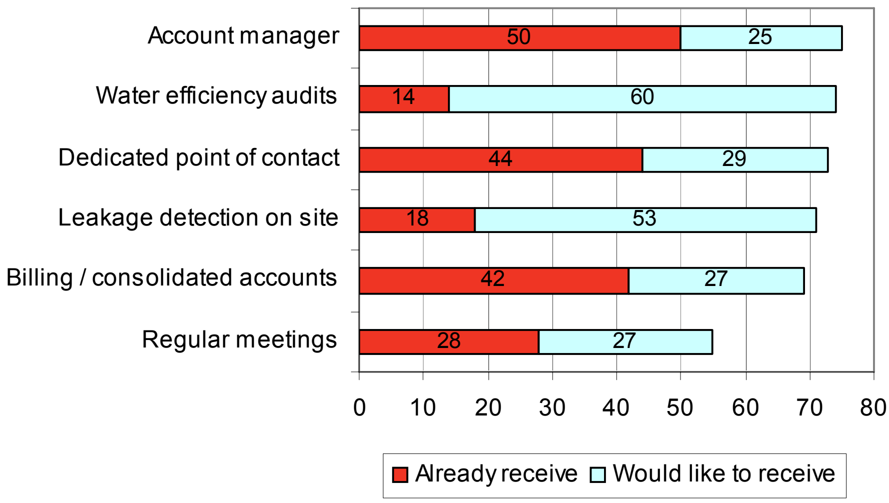
6.4.11 As can be seen in Table 6.7, there was a similar response by eligible and ineligible respondents, with slightly more eligible respondents stating that a competitor's services would only need to be 4% or less cheaper.

Table 6.7 How much cheaper would competitor's service need to be? – By eligibility

How much cheaper would a competitor's services need to be?	Eligible	Ineligible
No different	<1%	<1%
1% - 2%	6%	4%
3% - 4%	11%	4%
5%	23%	29%
6% - 9%	13%	10%
10%	33%	33%
11% - 14%	2%	5%
15%	6%	7%
16% - 19%	<1%	3%
20% +	6%	6%
Base	473	163

6.4.12 Respondents who had indicated (77% of total sample) that they would be (more) likely to consider changing their water service supplier for reasons other than price, were asked to indicate what services they currently receive and what new services or improvements they would like to see offered by licensees. Results are shown in Figure 6.6.

Figure 6.6 Current services and new/improved services (Multiple response)



mvaconsultancy

6.5 Willingness to pay for a more tailored service

6.5.1 The majority of respondents would not be willing to pay higher water bills in order to receive a more tailored service, with only 5% stating that they would be 'very' or 'quite' willing. Table 6.8 details these results.

Table 6.8 Willingness to pay for a more tailored service

Willingness to pay	Percentage
Very willing	1%
Quite willing	4%
Neither willing nor unwilling	26%
Quite unwilling	32%
Very unwilling	39%
(Base 674)	100%

6.5.2 When one compares willingness to pay higher bills between eligible and ineligible respondents there are no significant differences in opinion, similarly between single site and multiple site representatives. Results are detailed in Table 6.9.

Table 6.9 Willingness to pay for a more tailored service by eligibility and respondent type

Willingness to pay	Eligible	Ineligible	Single site	Multiple site
Very willing	1%	<1%	1%	<1%
Quite willing	3%	6%	3%	5%
Neither willing nor unwilling	25%	30%	25%	29%
Quite unwilling	32%	30%	29%	38%
Very unwilling	40%	35%	42%	28%
(Base)	(501)	(173)	(510)	(164)

7 Barriers to the opening-up of the competition market

Summary of chapter

- 45% of respondents did not think that the current regime would encourage a competitive market (34% 'probably not' and 11% 'definitely not'); whilst 31% thought 'maybe' and 9% it 'definitely' did. Representatives of multiple sites were more likely to have stated that the current regime would not encourage a competitive market (62% definitely/probably not, compared to 40% of single site representatives).
- Most (84%) believed that there were practical problems or barriers with implementing the current regime or were unsure. Eligible respondents were more likely to state that there were practical problems or barriers (45%) compared to ineligible (34%).
- A range of practical problems or barriers were identified by respondents including: concerns related to the use of incumbent's infrastructure; lack of a national grid; and lack of ability of licensees to offer discounts due to wholesale water prices.
- The majority of respondents (67%) indicated that they would 'switch once the regime has been shown to be successfully established'. However, multiple site respondents were more likely indicate that they would 'switch as soon as possible' (33%) compared to single site respondents (24%).
- One-third of respondents stated that they would seek a long-term relationship with a new supplier, however 46% are 'always looking for the best deal'.
- In general, respondents were of the opinion that the current water market does not compare favourably with the markets for other utilities, 60% indicated that it compared 'quite' or 'very' unfavourably.
- On average, the majority of respondents change their energy supplier at least every couple of years (61%).

7.1 Introduction

7.1.1 This chapter explores whether respondents believe that the current regime will encourage a competitive market, and what practical problems or barriers, if any, exist with implementation. It also discusses when respondents are likely to consider switching supplier, and how often. Finally, respondents' views regarding how the current regime compares with the market for suppliers of energy and other utilities, how often they switch energy supplier is presented.

7.2 Current regime

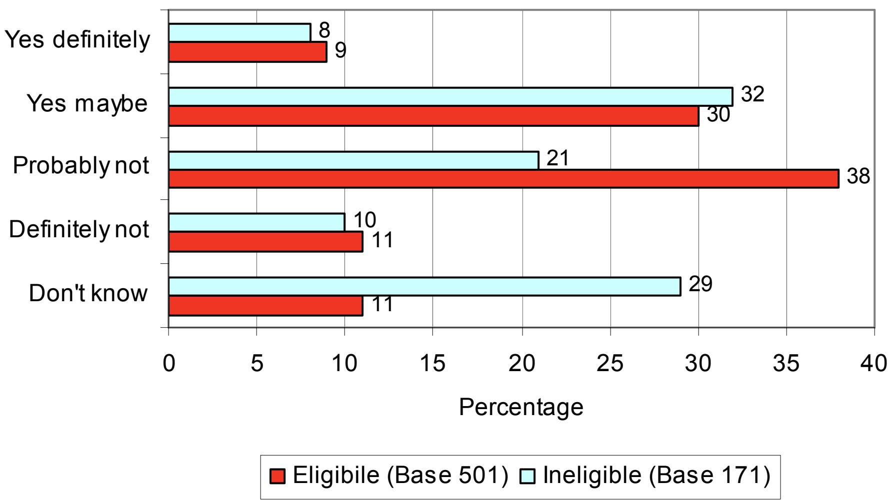
7.2.1 Respondents were asked whether or not they believe that the current regime will encourage a competitive market in water services. Overall, 45% did not think so (34% 'probably not' and 11% 'definitely not'); whilst 31% thought 'maybe' and 9% it 'definitely' did.

Table 7.1 Will current regime encourage a competitive market?

Do you think that the current regime will encourage a competitive market in water services?	Percentage
Yes definitely	9%
Yes maybe	31%
Probably not	34%
Definitely not	11%
Don't know	16%
(Base 672)	100%

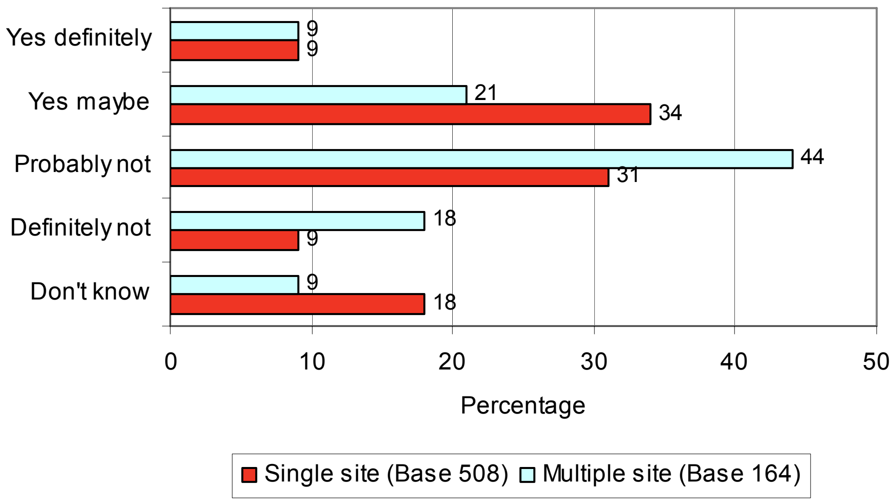
7.2.2 A significantly higher percentage of eligible respondents indicated that the regime would 'probably not' encourage competition (38% eligible, 21% ineligible) and a significantly higher percentage of ineligible respondents indicated that they did not know (11% eligible, 29% ineligible). Full details are show in Figure 7.1.

Figure 7.1 Will current regime encourage a competitive market – by eligibility?



7.2.3 When one compares results by respondent type, as shown in Figure 7.2, it can be seen that representatives of multiple sites are significantly more likely to think that the current regime will not encourage competition in the water industry (62% definitely/probably not, compared to 40% of single site respondents). In addition, a higher percentage of representatives of single sites indicated that they 'don't know'.

Figure 7.2 Current regime – respondent type



7.2.4 As can be seen in Table 7.2, 42% of respondents believe that there are practical problems or barriers with implementing the current competition regime and a further 42% 'don't know'.

Table 7.2 Current regime

Do you think there are any problems or barriers with implementing the current competition regime?	Percentage
Yes	42%
No	16%
Don't know	42%
(Base 672)	100%

7.2.5 Eligible respondents were more likely to state that there **were** practical problems/barriers with implementing the current competition regime (45%) compared to ineligible respondents (34%). In addition, ineligible respondents were more like to state that they 'do not know' (54% of ineligible compared to 39% of eligible).

7.2.6 A range of practical problems and barriers were identified, with the main issues detailed below:

- concerns related to the use of incumbents' infrastructure (19%);
- lack of a national grid (19%);
- lack of ability of licensees to offer discounts due to wholesale water prices (16%);
- complexity of regime/master agreements (6%);
- exclusion of wastewater/effluent services (6%);
- current water companies (6%);

- concerns regarding security of supply (5%);
- lack of confidence/it will take time to build confidence in new suppliers (5%);
- threshold too high/only open to large users (5%);
- monopoly/too few suppliers (4%);
- switching logistics (3%);
- weak Ofwat powers/lack of guidance from Ofwat (2%);
- does not include aggregating over multiple sites (2%); and
- lack of information to make an informed decision (2%).

7.2.7 Examples of responses for each of the main issues raised are shown below.

- Concerns regarding use of incumbents' infrastructure

"Ownership of 'quality' issues - would it be supplier, distributor who? Who would oversee - need 1 point of contact."

"Ownership of pipes and system. Argument on who is responsible for the problem and resolving problems quickly."

"Leakage in system - who pays ultimately? Existing water companies also being regulators. Would regulation become a separate body?"

"Different licensees all sharing the same infrastructure might lead to billing problems. If water was to be shifted from area to area quality may vary."

"Ownership of supply network. It is very easy to blame someone else for disruption to service ie. rail network!"

"Repairs to leaks. This is a problem now with only one supplier. Could be a greater problem with more than one supplier."

"Servicing of old supply pipelines, responsibility of the same."

- Lack of national grid

"Local ownership of sections of the distribution network and no existing national 'Grid'."

"Water transportation, i.e., no national water grid."

"Nature of water supply, it's not like having a national grid."

"The largest cost to the water industry is the storage, processing and distribution. there is as yet no national grid so you are stuck with the local infrastructure. The only variable cost is the admin and billing process which is insignificant."

- Lack of ability of licensees to offer discounts due to wholesale water prices

"Incumbent water companies have been allowed to set their wholesale water charges and common carriage charges at such a high level that it seems there is little that a licensed supplier can pass on to the customer."

Fixed cost appear high so the margins for an external (unless he has his own water supply)to make a profit and reduce prices / increase service quality seem low."

The price a third party has to pay for firstly buying water and then transporting water through a network don't seem to be competitive."

"High indicative access prices from incumbents providing significant barrier to entry for new supplier."

"Water companies will not allow new suppliers to offer much reduced costs due to their wholesale costing."

"The OFWAT methodology of working out access prices is flawed and is preventing any new entrants into the market."

- Complexity of regime

"The regime is very complex and detailed. Licensees appear to have difficulty in agreeing master agreements with water companies, which are required in order to proceed. Demonstrating eligibility doesn't appear to have been tested."

"Master agreements are complex and this puts people off."

"Complex rules and regulations."

"Too complex/difficult to switch."

- Exclusion of wastewater/effluent services

"effluent services are provided by the incumbent water supplier , what sanctions are likely to be applied to businesses that change supplier?"

"Water supply by one company sewage, run off water charges and trade effluent by a second."

"Infrastructure and especially foul and surface handling would still be [incumbent] so still be billed by them and have to liase regards integrity of supply and disposal."

"Sewage and trade effluent will be covered by another company if you switch."

- Current water companies

"Current suppliers putting barriers in place to prevent switching. Also scare tactics and rumour mongering."

"Lack of movement with existing suppliers wanting to keep the status quo."

"Suppliers are changing their pricing structures, such that distribution prices are rising and the actual cost of the water is falling. This will lessen the scope of alternative suppliers to undercut prices."

*Water Companies are throwing up as many barriers as possible to prevent competition. *** have been after prices from *** for two of our [sites] for the last eighteen months without success."*

"Resistance from the Water companies who wish to protect their profits."

"There is no guarantee of security of supply, this is very important for us."

- Security of supply

"Concerns about security of supply and guarantee of switch back."

"Ensuing quality of supply is maintained."

- Lack of confidence/it will take time to build confidence in new suppliers

"Achieving a framework of confidence in the users to switch."

"New suppliers need to build up reputation, performance guarantees, service level agreements and penalties."

"It's new therefore it will take a while to build up a history of service from new suppliers which if positive is more likely to influence others to change - fear of the untried or tested."

"Will take time to build confidence in new suppliers and the regime."

- Threshold too high/only open to large users

"Lowering the threshold of usage for competition."

"Competition needs to be between all users and not just the very large ones."

"Should be open to all business users, threshold is too high."

"The limits set for consumers to switch."

- Monopoly/Too few suppliers control the market

*"**** have an almost monopoly hold over the market and infrastructure."*

"Too few suppliers who therefore control the market to suit themselves with little control from the regulatory body."

"Culture of being sole suppliers."

- Switching logistics

"Billing could be hampered by IT system delays."

"Ease of switching & metering-when switching other utilities the supply remains ok but the billing & metering causes headaches."

"The process of going through OJEU and signing an agreement for x years. Knowledge of how to do this."

"From the users point of view the main problem will be recording the transfer of supplier and making sure each bills to/from the correct date without any delays."

"Red Tape, it could get as bad as gas and electricity suppliers."

- Weak Ofwat powers/Lack of guidance from Ofwat

"The power of Ofwat to control the large water companies."

"Unworkable legislation and weak Ofwat powers."

"Guidance from Ofwat is unclear and there are continual delays to the process."

"Legislation is not working, Ofwat are not forcing water companies to help competition."

- Does not include aggregating across multiple sites

"Does not include multi-sites."

"Unlike the deregulation of other Utilities there is no flexibility in aggregation of sites."

- Lack of information

"Lack of understanding, lack of clarity between competitive rates."

"Not enough information available to make an informed choice."

7.3 Triggers for switching

7.3.1 Respondents were asked that if they were offered a service that they considered worth switching for, in principle, were there any triggers that they would wait for before switching. The majority of respondents indicated that they would 'switch once the regime has been shown to be successfully established'. Full details can be found in Table 7.3.

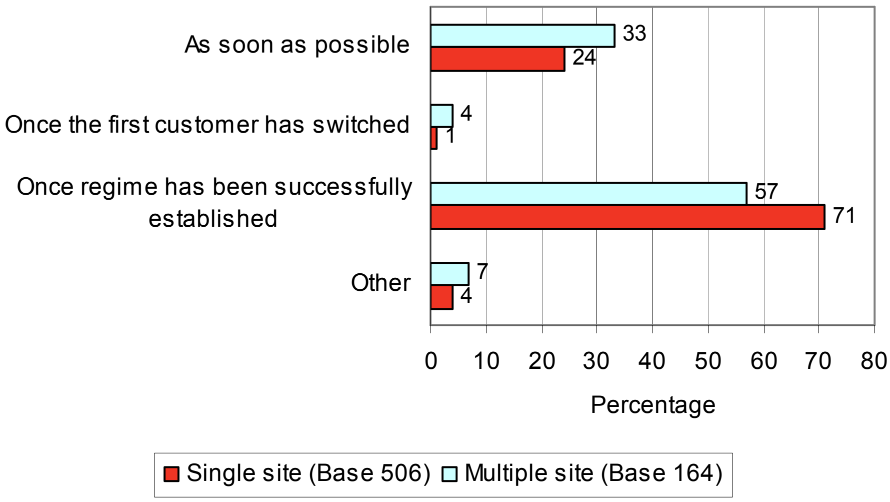
Table 7.3 Triggers for switching

If you were offered a service that you considered worth switching for, in principle, are there any triggers you would wait for before switching?	Percentage
Switch as soon as possible	26%
Switch once the first customer has switched	2%
Switch once the regime has been shown to be successfully established	67%
Other	5%
(Base 670)	100%

7.3.2 Other triggers identified included: guarantee of supply secured; issues surrounding quality of supply; once transfer mechanism/billing system has been shown to work quickly and effectively; and once approved by head office/procurement/company group etc.

7.3.3 There was no difference by eligibility. However, multiple site respondents were more likely to indicate that they would 'switch as soon as possible'. This is shown in Figure 7.3.

Figure 7.3 Triggers for switching by respondent type



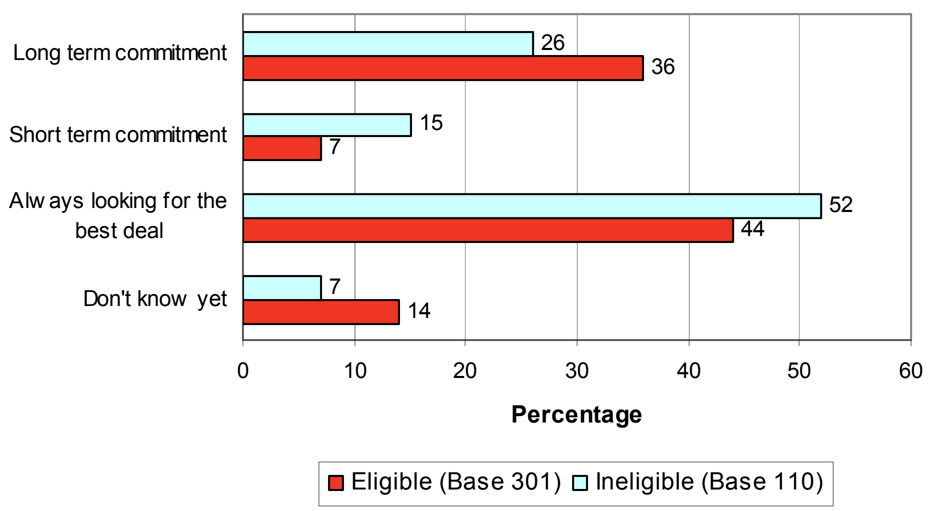
7.3.4 Respondents were asked if they switched supplier would they be likely to establish a short or long term relationship with the new supplier. One third stated that they would seek a long-term relationship, however 46% are 'always looking for the best deal'. Full results are shown in Table 7.4.

Table 7.4 Expected relationship with new supplier

If you switch supplier, do you expect to establish a long-term relationship with the licensee, or are you likely to switch more than once?	Percentage
Long term commitment	33%
Short term commitment	9%
Always looking for the best deal	46%
Don't know yet	12%
(Base 411)	100%

7.3.5 Figure 7.4 shows results by eligibility. As can be seen, eligible respondents were more likely to indicate that they would expect to establish a long term commitment with a licensee (36% of eligible respondents compared to 26% of ineligible).

Figure 7.4 Expected relationship with new supplier - by eligibility



7.4 Comparison to other utility markets

7.4.1 Respondents were asked how the current competitive water market compares with the market for suppliers of energy and other utilities. In general, respondents were of the opinion that the current water market does not compare favourably with the markets for other utilities, with 60% indicated that it compares 'quite' or 'very' unfavourably. Results are shown in Table 7.5.

mvaconsultancy

Table 7.5 Comparison with other utility markets

In your view, how does the current competitive water market compare with the market for suppliers of energy and other utilities?	Percentage
Very favourably	1%
Quite favourably	6%
Neither favourably or unfavourably	34%
Quite unfavourably	38%
Very unfavourably	22%
(Base 670)	100%

7.4.2 When asked, on average, how often they change their energy supplier, the majority of respondents change at least every couple of years (61%). Results are shown in Table 7.6.

Table 7.6 Changing energy supplier

On average, how often does your business switch its energy supplier?	Percentage
Once a year or more	13%
Every couple of years	48%
Once every five years or less	32%
Never	6%
(Base 658)	100%

8 Experience of and aspirations for the competition market

Summary of chapter

- The majority of respondents (77%) had noticed little or no change in terms of their current water supply services in the previous 12 months (since the competition regime had been introduced).
- Similar numbers of respondents were confident (30%) compared to not confident (29%) that the current regime will deliver benefits to customers, with a large proportion (41%) being unsure. Multiple site respondents were likely to be less confident (49% 'not very' or 'not at all') than single site representatives (22% 'not very' or 'not at all').
- Most respondents (64%) would like to see a re-structuring of the industry to facilitate more competitive pricing. More than half (53%) believe that incumbent suppliers need incentives to offer competitive prices. More than half (52%) would like to see the development of a framework for the creation of a competitive market (e.g. a national supply network). More than one-third (38%) want new suppliers to be allowed to operate everywhere. And, more than one-third (37%) want more, and better, information.

8.1 Introduction

8.1.1 This chapter explores respondents' levels of confidence that the current regime will deliver benefits to customers and, if so, what those benefits will be, in addition it discusses respondents' experience of their water company's response to the competitive market. Finally, it highlights what respondents believe needs to be done to further develop the competitive market, what changes they would like to see, and what sort of future they think the market faces.

8.2 Confidence in the current competition regime

8.2.1 Respondents' opinions varied regarding how confident they are that the current competition regime will deliver benefits to customers. Results can be found in Table 8.1.

Table 8.1 Level of confidence in the current regime

How confident do you feel that the current regime will deliver benefits to customers?	Percentage
Very confident	4%
Fairly confident	26%
Neither confident or not confident	41%
Not very confident	25%
Not at all confident	4%
(Base 674)	100%

8.2.2 Comparing these results by eligibility, there was little difference in opinions. However, comparing by respondent type shows that multiple site representatives are less confident than single site representatives. These results are shown in Figure 8.1 and 8.2.

Figure 8.1 Level of confidence in the current regime by eligibility

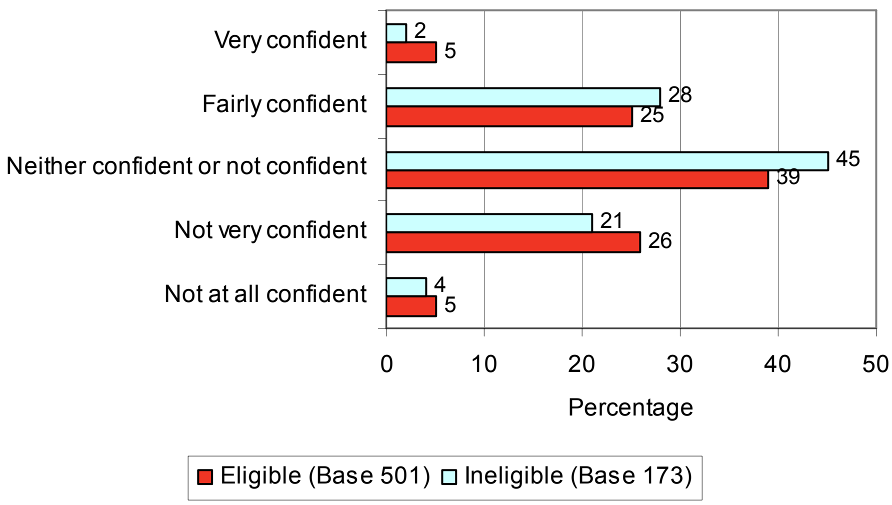
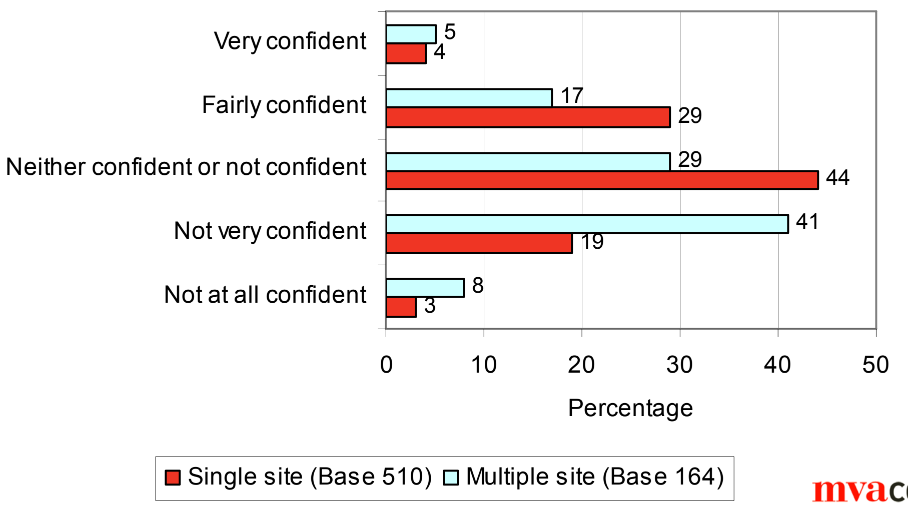


Figure 8.2 Level of confidence in the current regime by respondent type



8.2.3 Respondents who had indicated that they were 'very' or 'fairly' confident that the current regime will deliver benefits to customers were asked what benefits they expected to be delivered. Benefits identified included (number of respondent in brackets):

- Lower prices/reduced bills/lower price increases (110);
- Better services (48);
- Choice of supplier (7); and
- More reliable supply (2).

8.3 Water company's response to the competition regime

8.3.1 Respondents were asked about their experiences in relation to their incumbent water supplier's response to the competitive market. The majority of respondents stated that they had noticed little or no change in the last twelve months. All responses are shown in Table 8.2.

Table 8.2 Water company's response to the competition regime

What are your experiences in relation to your existing water supplier's response to the competitive market (i.e. has your service changed in the last 12 months)?	Percentage
Nothing/very little has changed	77%
Enhanced customer service	7%
More proactive/responsive	6%
Have provided a good service as always/continued good service	4%
Just higher prices	3%
Customer service reduced	2%
(Base 531)	100%

8.4 Aspirations for the competition regime

8.4.1 Respondents were asked what they think should be done to further develop the competitive market. They were asked to select their top three from a list of thirteen options. As can be seen in Table 8.3, respondents selected a range of responses, however the most commonly selected was 're-structure the water industry to facilitate more competitive pricing between suppliers'.

Table 8.3 What could be done to further develop the regime (select top three)?

What do you think should be done to further develop the competitive market?	Percentage
Re-structure the water industry to facilitate more competitive pricing between suppliers	64%
Ensure that the existing supplier has an incentive to offer a competitive price for water	53%
Develop a framework for the creation of a competitive market (e.g. a national supply network)	52%
Allow all new suppliers to operate in all parts of the country	38%
Improve communication about competition and the choices of supplier available to businesses – including how to switch supplier	37%
Provide better publicity about the changing competition legislation	24%
Increase possibilities for more integrated utilities (e.g. including energy) provision	23%
Impose a duty on the existing suppliers to take back customers at their original service level	18%
Set up a database of eligible customers (with their permission) so that new suppliers can make contact and offer services in competition to the current water supplier	17%
Allow all business customers into the market	16%
Allow more business customers into the market by relaxing the eligibility criteria	13%
Consider ways in which domestic customers could be allowed into the market	12%
Make the process of becoming a new water supplier easier	10%
(Base 684)	

8.4.2 When one looks at these results by eligibility, eligible respondents were more likely to select: re-structure the water industry to facilitate more competitive pricing between suppliers (67% compared to 57% of ineligible); allow all new suppliers to operate in all parts of the country (54% compared to 45%); and set up a database of eligible customers (with their permission) so that new suppliers can make contact and offer services in competition to the current water supplier. All data are shown in Figure 8.3.

8.4.3 Respondents from multiple sites were more likely to select: allow all new suppliers to operate in all parts of the country (44% compared to 36% of single site representatives); allow all business customers into the market (25% compared to 13% of single site representatives); allow more business customers into the market by relaxing the eligibility criteria (25% compared to 9% of single site representatives); and make the process of becoming a new water supplier easier (23% compared to 6% of single site representatives). All data are displayed in Figure 8.4.

Figure 8.3 What should be done to further develop the market by eligibility (select top three)?

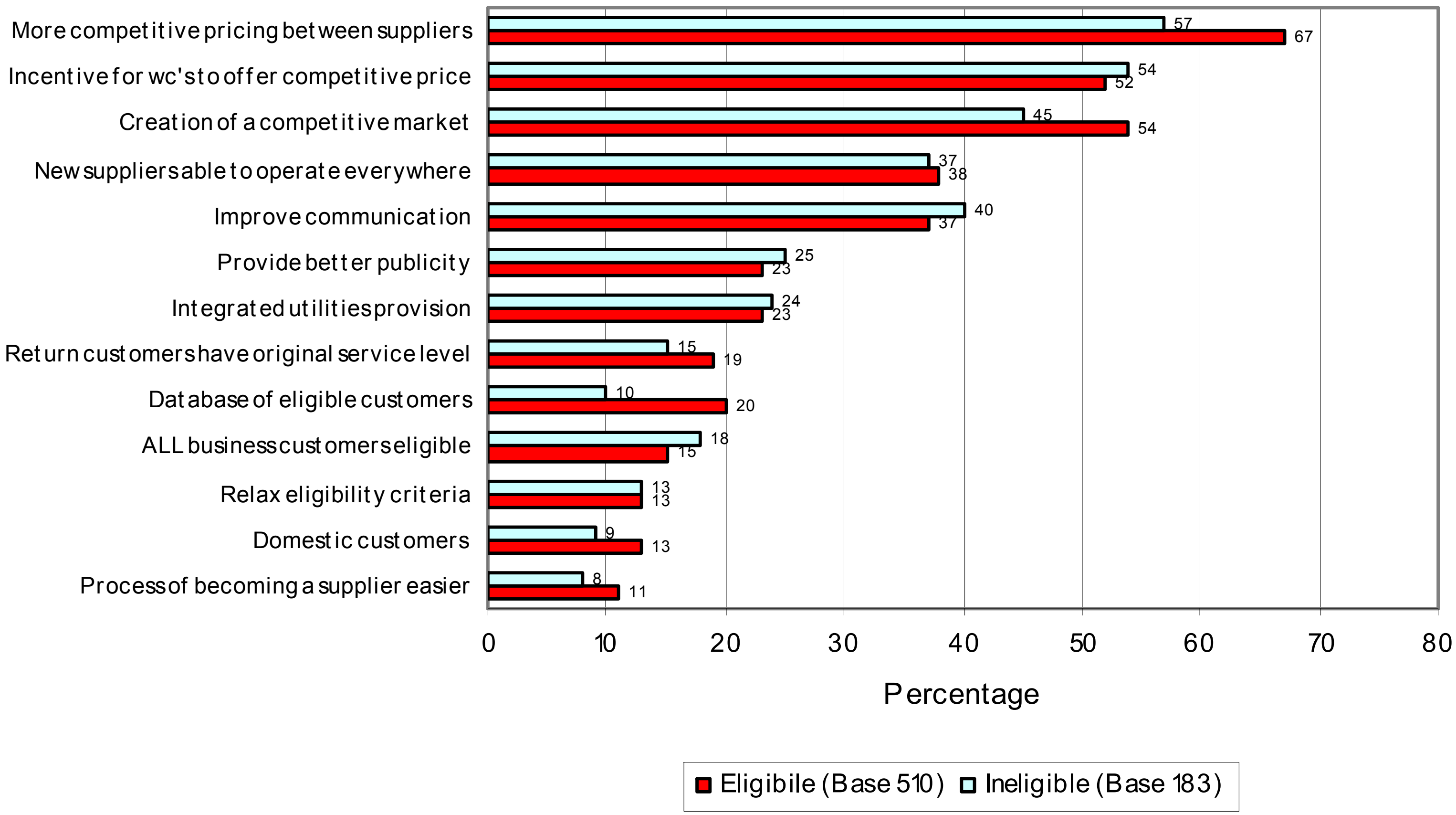
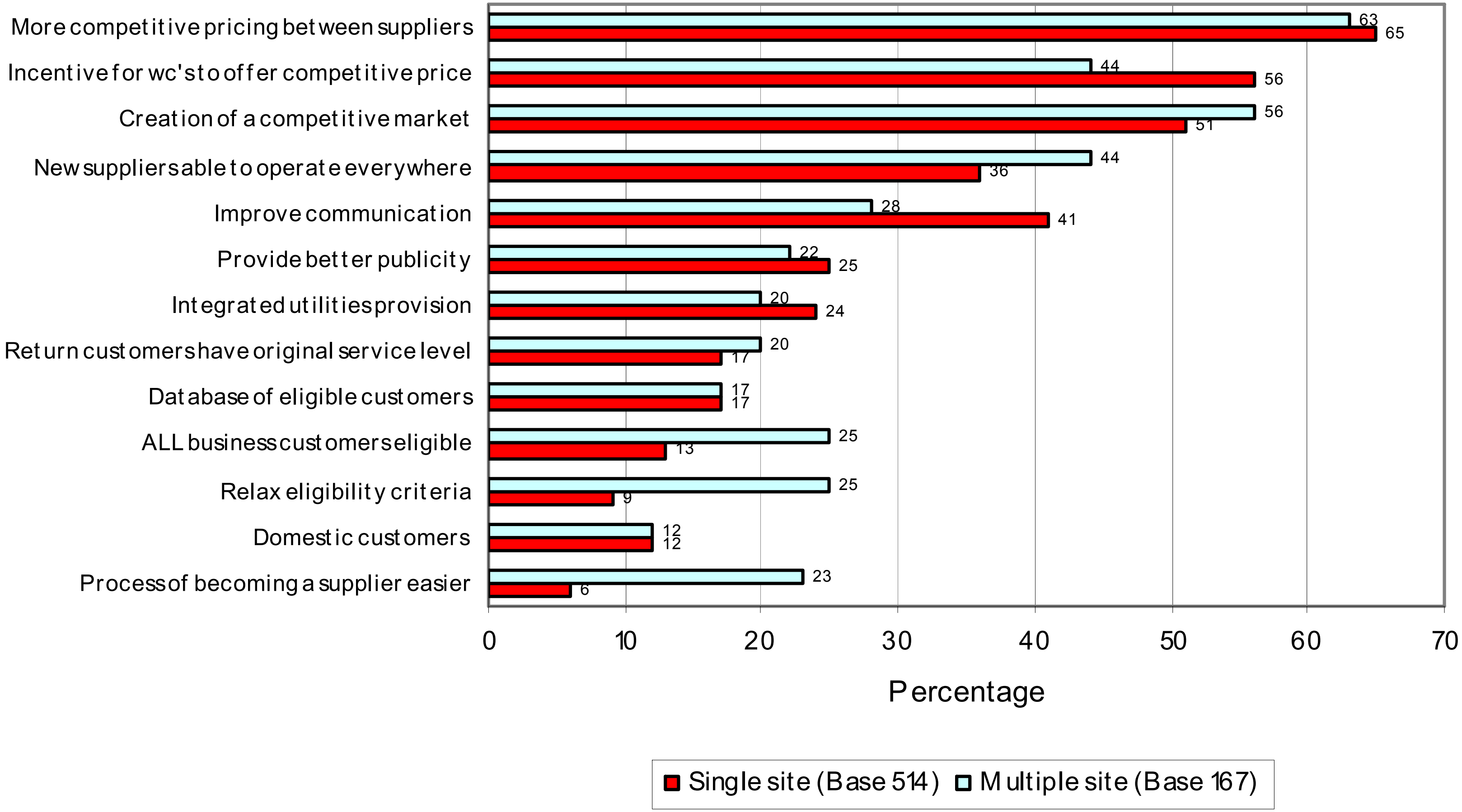


Figure 8.4 What should be done to further develop the market by respondent type (select top three)?



8.4.4 Respondents were asked to state, in their own words, what changes they would like to see come about in the industry. The main items identified are detailed below, along with the percentage of the total sample that mentioned them in brackets and examples of the types of responses.

- No restrictions on eligibility to change supplier (16%)

"Open to business customers using less water or over multiple sites."

" Let those who use less also choose their supplier."

"Open to all business customers or lower water threshold."

" Should be open to all, no restrictions."

"Lower threshold to bring more customers into the market. Change the methodology of calculating access prices i.e. cost base price. Reduce the amount of red tape to achieve access prices."

- Competition open to all suppliers and all customers (12%)

"All businesses should have access to alternative supplies just as we have with energy."

"No monopoly, instead an open market."

"An open market in my area."

"Option to choose supplier."

- Real competition (9%)

"Suppliers should fight to attract and retain customers as in the private sector - relying on customer satisfaction to make profits."

"More competition in the area."

"A properly competitive market, as opposed to the current uncompetitive market."

"True competition."

"A competitive market with a range of suppliers."

- Improved customer services (8%)

"Improved services, better customer focus."

"Improved service more proactive. Possible reductions in cost through efficiency."

"More customer service focussed approach to supply of water in line with other commercial sectors."

"Improvement in customer provision."

- Easier entry for suppliers/more flexibility for suppliers to be truly competitive (8%)

"Numerous suppliers competing on equal terms to provide quality water at cheaper prices."

"The existing market seem largely a re-shuffle of the old water companies. There are a few new entrants who struggle to break into the business. OFWAT must be more determined in making changes."

"It should be easier for new suppliers, allow them to be more competitive by setting the wholesale value of water lower."

"Need to allow new suppliers to be more competitive."

- National grid (7%)

"The instigation of a national water network to improve supply. Investment in repairing leaking pipe work across the country."

"A national distribution network for water."

"A national grid is important."

"National Grid for water."

- Lower Bills (7%)

"Reduced bills."

"Better services and cheaper bills."

- Better Communication from Ofwat (6%)

"Greater communication from OFWAT."

"Ofwat needs to let us know what is going on."

"More readily available information on the opportunities that exist to change supplier."

■ Inclusion of wastewater / effluent treatment in competitive regime (6%)

"Include effluent business in competition."

"Effluent treatment should also be opened to competition."

"Open competition for sewerage services also."

■ A less complex regime (5%)

"Things are too complex and need to be simplified."

"Things are confusing at the moment. I would like to see simplified information as to exactly where we are with competition, how many licensees - I believe some have already switched, how many?"

■ Security of supply maintained (3%)

"Security of supply is the main concern and must not be undervalued."

"Security of supply is paramount, this is not a very expensive commodity (less than 10% of our power cost and power is less than 1% of our turnover) if we are to be truly able to get competition in water."

"Ensure security of supply."

■ Set standards for the industry (2%)

"Its important that standards are maintained during any changes in the industry."

"Ensure that if the market is opened to competition the lessons are learned from the experiences of the other utilities when they opened up to competition."

■ Ofwat to have greater power in competition (2%)

"Ofwat needs to be tougher with the existing water companies and stop them slowing the competition process."

"Give Ofwat real powers to police the industry. To penalise in real financial terms, the cowboys who have brought discredit to the Gas and Electrical suppliers industry."

■ Public ownership (2%)

"Water supply and distribution should be a national public organisation."

"Bring it back into the public sector."

- Multiple site administration (2%)

"To be able to have one contract with one supplier to cover site all across the UK. As we have with Gas and Electricity suppliers."

"Multiple site administration with one supplier

8.4.5 Respondents were asked, assuming that no changes were made to the current provision for competition, what sort of future they thought the water market faced. Table 8.4 details the results.

Table 8.4 What sort of future do you think the water market faces?

Assuming that no changes are made to the current provision for competition, what sort of future do you think the water market faces? And why?	**Percentage**
No change/very slow change	33%
Increased prices for customers	23%
Environmental pressures	9%
Decreased service provision	7%
Profit is too low to sustain new suppliers	6%
Very few companies switching	6%
More profit for water companies	6%
Don't know	4%
Competition will bring an improvement in service provision	4%
Ongoing pressure from Ofwat on water companies	2%
Confusion/chaos	1%
(Base 401))	100%

8.4.6 Finally, respondents were asked if there were any other comments they wished to make. In total nineteen respondents made further comments, which can be found in Appendix C.

9 Conclusions and recommendations

9.1 Introduction

9.1.1 This chapter summarises the research findings, discusses key issues and makes recommendations for CCWater/Ofwat to consider.

9.2 Key research findings

General context issues

9.2.1 Although the research engaged business customers that were both eligible and non-eligible under the current regime, it was respondents from the eligible business sites that dominated responses in the research, so the findings reported here provide a strong indication of the views of those within the current regime.

9.2.2 The study findings give a clear indication that the existing competition regime is failing to meet the needs of the businesses that it was designed to serve. There have been no changes of supplier since its introduction, and the results in this report suggest that this will remain the case, at least in the short-term.

9.2.3 There is no evidence from the research to suggest that business customers are dissatisfied with the actual reliability or quality of service in the provision of water from their water company. Most expressions of dissatisfaction, or interest in competition revolve around the question of price.

9.2.4 There are, however, positive indications that some businesses will switch supplier if the circumstances are right for them. And this study has identified how the regime should change in order for potential market activity to be realised.

9.2.5 The situation for businesses overall can be summarised as follows.

Current Situation

- Engagement with the WSL regime and competition in general is not high; almost half the sample (47%) is neither satisfied nor dissatisfied with current water prices, and a similar proportion (41%) are neither confident nor not confident with the WSL regime;
- More than half (58%) are satisfied with the quality of water services;
- The majority of respondents would not be willing to pay higher water bills in order to receive a more tailored service, with only 5% stating that they would be 'very' or 'quite' willing;
- Two-thirds of respondents are aware that a competitive regime exists, but only 33% who consume no less than the eligibility threshold are 'definite' that they are eligible to switch supplier;
- More than two-fifths (43%) do not recall receiving any information on the competitive regime, and only 12% of customers could name a new entrant. Almost all (91%) want Ofwat to provide them with information (ideally in the form of email alerts); and

- Most respondents (77%) consider the service they receive is unchanged since the competition regime was introduced.

The idea of Competition

- Most customers (84%) are supportive of competition (in principle);
- Most (60%) think the competition regime for the water industry compares unfavourably with other utilities; and
- Most (61%) were ‘quite’/’very’ likely to consider switching in the right circumstances.

What would make customers switch?

- The vast majority (93%) of customers would switch if offered lower bills. Just below half (49%) would switch if service provision improved, and there was guaranteed switch-back (43%);
- New service offerings that would be appreciated include: water efficiency audits and leakage detection;
- Two-thirds would switch supplier once the regime is shown to be working properly.

Making this happen

- Most (84%) know there are barriers to the current regime being effective, or are uncertain.
- Most (64%) want to see a re-structuring of the industry to facilitate more competitive pricing;
- More than half (53%) believe the incumbent suppliers need incentives to offer competitive prices;
- More than half (52%) want to see a national supply network;
- More than one-third (38%) want new suppliers to be allowed to operate everywhere; and
- More than one-third (37%) want more, and better, information.

9.3 Key issues for consideration

9.3.1 The ability of a business customer to achieve a lower price for their water supply appears to be the most important factor in a decision to change water supplier – with 83% of respondents indicating that this would need to be a saving of up to 10%, and 38% saying this saving must be up to 5%. The fact that the water bill is, on the whole, low in the context of overall operating costs of businesses – around 2% on average, needs to be taken into account. Any restructuring of the access charging method of the competition regime will need to heed the requirement to provide new suppliers and their customers with an opportunity to offer up to *at least* 5% savings in their water bill. But, in order to ensure that all those eligible customers have an incentive to consider switching supplier, then this saving should have the potential to be up to 10%.

9.3.2 Those respondents managing multiple sites appear to be more aware or engaged with competition issues, and this is understandable given the opportunity they may have to make savings. 75% of multiple site respondents have actively sought or received information about competition, compared to 49% on single sites. Consideration therefore should be given to expanding competition eligibility to include multiple sites that meet the minimum threshold criteria.

9.3.3 The 'barriers' in the competition market, as perceived by the majority of respondents in this research, relate to *uncertainty* (i.e. not enough information and a lack of experience from real examples) about the way the market works and the inability of new entrants to secure a low cost wholesale price.

9.3.4 Some key issues looking to the future have been raised during the research; these include 64% of respondents suggesting that the water industry needs to be restructured to facilitate competitive pricing, 53% that the incumbent suppliers need incentives to offer competitive prices; 52% want to see a national water supply network; 38% believe that suppliers should be able to operate everywhere; and 37% want more, and better, information. We discuss these below.

Consideration of restructuring the water industry

9.3.5 Restructuring of the water industry refers to respondents making comparisons with the energy sector, in which the wholesale, distribution and retail parts of the businesses are separate. Concerns still exist about the ownership structures of the energy businesses being able to deliver effective competition in the energy market. Also, in Scotland, the national publicly owned water company, Scottish Water, is being restructured to reflect wholesale and distribution in one company, and retail services in a separate company. In Scotland, competition will be restricted to retail services for all businesses. Undertaking a restructuring in England and Wales would encounter difficulties; the appointed water companies are vertically structured and this has some basic advantages in terms of enhancing reliability of supply and in economic efficiency. Any fundamental reform of the structure of the water industry needs to be seen in the context of wider social and economic benefit to all customers, not just benefits to high water-use businesses.

Consideration of incentives for the appointed water companies

9.3.6 At the moment there are no incentives for incumbent water companies to promote or cooperate with the competition regime. One of the issues about incentives is to ensure that incumbent water companies behave in a transparent and "helpful" manner. There is scope, through Ofwat's role to promote and develop competition, to start thinking and developing incentive mechanisms. As part of their own review on competition, and as a stakeholder on this research, no doubt Ofwat will be reviewing any opportunities for developing incentives.

Consideration of a national supply network

9.3.7 One of the drivers for a national supply network is water scarcity in parts of England, particularly the South East. It is perceived by some business customers that the ability for regions with an abundance of water to sell some to regions with low levels of water could be a way of reducing prices in some regions and ensuring continuity of supply in others. However, it is difficult to understand how a national network would improve opportunities for competition in reality (where the main concerns relate to price), given that the feasibility of a national water supply network has been investigated by government and the regulators, and rejected on cost benefit grounds.

Consideration of the removal of geographical boundaries for suppliers

9.3.8 The research shows that respondents believe that licensees should be allowed to operate throughout England and Wales Currently, licensees set up by incumbent water companies are not allowed to operate in the geographical area where the incumbent company operates (e.g. Yorwater cannot operate in Yorkshire Water's area). The removal of this restriction, as well as offering potential cost savings, could improve service provision.

Consideration of improved provision of information

9.3.9 Although the research showed that a high percentage of respondents are aware of the competition regime, level of knowledge is variable. Consideration therefore needs to be given, by Ofwat and CCWater, to communicate more widely with the business community. The complexity of the regime itself has not aided understanding and therefore any communications need to be simple and easy to understand. The main information that customers require is: competitors operating in each area and their tariffs; and logistics of changing supplier.

9.4 Suggested next steps

9.4.1 In thinking about the next steps it is important to first put this research in its proper context – this research does not embrace the wider issues of water industry competition and the opportunities that might exist to extend competition in other forms, such as inset appointments.

9.4.2 Dealing with the issues raised in this research will be a matter for government and sector regulators (including CCWater) working with the water industry. Getting the framework for the competition regime within the current eligibility requirements should be a priority, rather than moving too quickly to extend the eligibility criteria requirements. Extending eligibility will merely perpetuate "barriers" in the current market – priority needs to be in dealing with the issues of information and support, and the pricing mechanism that allows eligible customers to achieve savings of up to at least between 5-10 % and allows new licensees to make a viable return on the retail costs.

Appendices

Appendix A – Questionnaire

1 Introduction

1.1 This appendix contains a hard copy version of the questionnaire. Please note that the questionnaire was based on the Internet and thus skips were automatically in action.

Section 1 – About Your Current Water Supply Services

In this section of the questionnaire, please provide details of water use at one site where large volumes of water is used (ideally the company site where most water is used, if you have more than one site that uses large amounts of water).

Q1a *In what capacity are you completing this questionnaire?*

Company representative based on-site
Head office company representative
Managing agent
Other (please type in)

Q1b *Who is your current supplier of* ***water services*** *(to which water company does your business pay its water bill i.e. not management services)?* [Please type in]

[ ]

Q1c Approximately, *how much water does your company use at this site each month?*

Less than 1,000 cubic metres a month (got to Q1e)
Between 1,000 and 1,999 cubic metres a month (got to Q1e)
Between 2,000 and 3,999 cubic metres a month (got to Q1e)
Between 4,000 and 9,999 cubic metres a month (got to Q1e)
Between 10,000 and 20,000 cubic metres a month (got to Q1e)
More than 20,000 cubic metres a month (got to Q1e)
Don't know (go to Q1d)

[IF "DON'T KNOW"]
Q1d *How much was your last* ***water bill****?* (This is the amount your company paid to a water company and excludes any charges you may have had for sewerage charges or water abstraction paid to the Environment Agency or any charges paid for private supplies)

Less than £500
Between £500 and 999
Between £1,000 and £1,999
Between £2,000 and £4,999
Between £5,000 and 10,000
More than £10,000

What period does this bill cover? (e.g. monthly) (please type in)

Q1e *Do you expect your level of usage at the site to remain approximately the same in the short-term (say over the next 1-2 years)?*

Yes
No, I expect our usage to generally go down a bit (say 1-10% a year, on average)
No, I expect our usage to generally go down a lot (say 10+% a year, on average)
No, I expect our usage to generally go up a bit (say 1-10% a year, on average)
No, I expect our usage to generally go up a lot (say 10+% a year, on average)
No, I expect our usage to fluctuate up and down a bit (say 1-10% a year, on average)
No, I expect our usage to fluctuate up and down a lot (say 10+% a year, on average)

Q1f *Approximately, what percentage does your water bill make up of your total operating costs?*

Less than 1%
1-2%
3-4%
5+%
Don't know

Q2a *Thinking about your last water bill, how satisfied are you with the price in terms of value for money?*

Very satisfied (go to Q2bi)
Quite satisfied (go to Q2bi)
Neither satisfied or not satisfied
Not very satisfied (go to Q2bii)
Not at all satisfied (go to Q2bii)

Q2bi *Why is this (tick all that apply)? [Very/Quite satisfied]*

Price
Service provision
Reliability of water supply
Never had a problem
Speed of response to on-site problems
Customer relations
Other 1 (please specify ____)
Other 2 (please specify ____)
Other 3 (please specify ____)

Q2bii *Why is this (tick all that apply)? [Not at all/Not very satisfied]*

Price
Bill level increases are not accompanied by perceived improvements in service
Service provision
Reliability of water supply
Customer relations
Speed of response to on-site problems
Other 1 (please specify ____)
Other 2 (please specify ____)

Other 3 (please specify ____)

Q3a *How satisfied are you with the quality of service you have received from your current water service supplier?*

Very satisfied (go to Q3bi)
Quite satisfied (go to Q3bi)
Neither satisfied or not satisfied
Not very satisfied (go to Q3bii)
Not at all satisfied (go to Q3bii)

Q3bi *Why is this (tick all that apply)? [Very/Quite satisfied]*

Water supply is reliable
Never had a problem
Supplier always responds quickly to any problem
Supplier provides flexible arrangements tailored to our needs
Supplier willing to consider/suggest ways of reducing our usage
Other 1 (please specify ____)
Other 2 (please specify ____)
Other 3 (please specify ____)

Q3bii *Why is this (tick all that apply)? [Not at all/Not Very satisfied]*

Water supply is unreliable
Supplier is reactive, rather than proactive
Poor supplier response to on-site problems
Supplier unwilling to consider/suggest ways of reducing our usage
Supplier provides poor value for money
Other 1 (please specify ____)
Other 2 (please specify ____)
Other 3 (please specify ____)

Section 2 - Eligibility

Q4a *Before receiving this questionnaire, had you heard about competition in water supply services for large users of water?*

Yes (Continue)
No (go to Q6)
Not sure (go to Q6)

Q4b *If yes, can you briefly describe what you understand to be the opportunities for your company?* [Please write in]

[ ]

Q5a *Have you **received** or actively **sought** any information about competition in the water industry within the last year?* (select one only)

Yes, received information (go to Q5b)
Yes, actively sought information (go to Q5c)
Both received and sought information (Continue)
No (go to Q6)
Don't Know (go to Q6)

Q5b [If received] *Who has provided you with information (tick all that apply)?*

New suppliers (licensees)
Ofwat
Consumer Council for Water
Your current water supplier
Other (please specify ____)

Q5c [If indicated New Suppliers for Q5b] *How many new suppliers?*

[ ]

Q5d [If sought] W*hat information have you sought, how and from where?* [Please write in]

[ ]

Q6 *In principle, are you supportive of competition in the water industry?*

Very supportive
Fairly supportive
Neither supportive or not supportive
Not very supportive
Not at all supportive
Don't Know

Q7a *Do you think that **your** business is eligible to change water supplier?*

Yes definitely [Go to Q7b]
Yes probably [Go to Q7b]
Not quite [Got to Q7c]
Not at all [Go to Q7c]
Don't know [Go to Q7c]

Q7b *Why do you think that your business is eligible to change supplier?* (type in)

[ ]

Q7c *Why do you think that your business is not eligible to change supplier?* (type in)

[ ]

Q8a [If Q7a = yes] *Given the current situation, how likely do you think it is that your business will consider a change in water service supplier?*

Very likely to consider changing supplier (go to Q9a)
Quite likely to consider changing supplier (go to Q9a)
Neither (go to Q9a)
Quite likely to remain with current supplier (continue)
Very likely to remain with current supplier (continue)

Q8b *Why are you quite or very likely to remain with your current supplier?* (tick all that apply)

Content with existing water supply company
Too much effort to switch
Nothing to gain by switching
Lack of information to aid decision
Unsure of the process
Unsure of the benefits
Lack of confidence in process
Lack of confidence in new suppliers (licensees)
Agreed guarantee of your water supply for business purposes
Other (please state)

Q8bii [IF MORE THAN ONE TICKED] *Which is the main reason?* ______________________ (go to Q9)

Q8c [If Q7a=not quite, not at all or don't know] *If your business were to become eligible how likely would you be to change your supplier?*

Very likely,
Quite likely
Neither
Not very likely
Not at all likely

Q9a *Which of the following makes, or would make, you more likely to consider changing your water service supplier?* [tick all that apply]

Lower bills offered by new suppliers (licensees)
Better service offered by new suppliers (licensees)
In order to exercise choice in the market
New suppliers' (licensee's) reputation and reliability
The perception that current water company's charges are high
Current water company's tariffs and service not sufficiently tailored to my requirements
Current service level is poor
Current water company's attitude to customer service
Guarantee that you could switch-back and receive your current service provision
Other (please state) [   ]

Q9b [IF MORE THAN ONE TICKED] *Which would have greatest influence?* _______________

Q10a [If option 1 OR 5 is ticked in Q9a) *If you indicated that you would be likely to consider changing your supplier based on the price of services, how much cheaper would a competitor's services need to be?*

No difference
1%-2%
3%-4%
5%
6%-9%
10%
11%-14%
15%
16%-19%
20%+

Q10b [If any of option 2, 3, 4, 6, 7, 8 or 9 ticked in Q9a) *If you indicated that you would be very, or quite, likely to consider changing your supplier based on reasons other than price, what services do you currently receive and what new services or improvements would you like to see offered by new suppliers (licensees)?* [Please tick all that apply]

	Already receive	Would like
Billing / consolidated accounts	[ ]	[ ]
Dedicated point of contact	[ ]	[ ]
Account manager	[ ]	[ ]
Regular meetings	[ ]	[ ]
Water efficiency audits	[ ]	[ ]
Leakage detection on site (e.g. continuous data logging)	[ ]	[ ]
Other (please give examples, if possible)		

Q11 *Would you be prepared to pay higher water bills in order to receive a more tailored service?*

Very willing
Quite willing
Neither willing nor unwilling
Quite unwilling
Very unwilling

Q12a *If you were offered a service that you considered worth switching for, in principle, are there any triggers that you would wait for before switching?*

Switch as soon as possible
Switch once the first customer has switched
Switch once the regime has been shown to be successfully established
Other (please specify)?

Q12b [If Q8a = 1 or 2, OR Q8c = 1 or 2] *If you switch supplier, do you expect to establish a long term relationship with the licensee, or are you likely to switch more than once? (select only one)*

Long term commitment
Short term commitment
Always looking for the best deal
Don't know yet

Section 3 - Perception of Market

Q13 *Do you think that the current regime will encourage a competitive market in water services?*

Yes definitely
Yes maybe
Probably not
Definitely not
Don't know

Q14a *Do you think there are any practical problems or barriers with implementing the current competition regime?*

Yes [go to Q14b], No [go to Q15a], Don't know [go to Q15a]

Q14b *If yes, what do you think these are?* (type in)

[ ]

Q15a *Are you aware of any new suppliers (licensees) in the water industry?*

Yes (continue), No (go to Q16)

Q15b *If yes, please write in all new suppliers (licensees) you are aware of?*

[ ]

Q15c Do any *of the new suppliers (licensees) that you are aware of offer anything different to your current water supplier?* (tick all that apply)

Tariff structures tailored to large users
A customer service tailored to business needs
A more reliable supply
Lower bills
More accurate billing
Other (please state) [ ]

Section 4 - Experience of the Market

Q16 *What are your experiences in relation to your existing water supplier's response to the competitive market?* i.e. How has your service changed in the last 12 months [Please write in]

[ ]

Q17a *How confident do you feel that the current competitive regime will deliver benefits to customers?*

Very confident (go to Q17b)
Fairly confident (go to Q17b)
Neither confident or not confident (go to Q18)
Not very confident (go to Q18)
Not at all confident (go to Q18)

Q17b [If very/fairly confident] *What benefits do you think it will deliver?*

[ ]

Q18 *In your view, how does the current competitive water market compare with the market for suppliers of energy and other utilities?*

Very favourably
Quite favourably
Neither favourably or unfavourably
Quite unfavourably
Very unfavourably

Q19a *On average, how often does your business switch its energy supplier?*

Once a year or more
Every couple of years
Once every five years or less
Never

Section 5 - Market Expectations and Aspirations

Q20 *What do you think should be done to further develop the competitive market?* [please select your top 3]

Re-structure the water industry to facilitate more competitive pricing between suppliers
Ensure that the existing supplier has an incentive to offer a competitive price for water
Allow all new suppliers to operate in all parts of the country
Impose a duty on the existing suppliers to take back customers at their original service level
Develop a framework for the creation of a competitive market (e.g. a national supply network)
Set-up a database of eligible customers (with their permission) so that new suppliers (licensees) can make contact and offer services in competition to the current water supplier.
Allow more business customers into the market by relaxing the eligibility criteria
Allow ALL business customers into the market
Consider ways in which domestic customers could be allowed into the market
Improve communication about competition and the choices of supplier available to business – including how to "switch" supplier
Provide better publicity about the changing competition legislation
Increase possibilities for more integrated utilities (e.g. including energy) provision
Make the process of becoming a new water supplier (licensee) easier

Q21 *Please use the space provided below to elaborate, in your own words, what changes you would like to see come about? [please type in]*

[ ]

Q22 *Assuming that no changes are made to the current provision for competition, what sort of future do you think the water market faces? And why?* [please type in]

[ ]

Q23a *Would you like to receive information in the future regarding competition in the water industry?*

Yes [go to Q23b], No [go to Q24]

Q23b *Which of the following types of information would you like to receive?* (select all that apply)

Information on which competitors offer services in your area
Tariffs offered by competitors in your area
Services offered by competitors in your area
How to switch supplier
How to switch back
Information on any changes in service rights or obligations or any risks associated with switching supplier

Q23c *Who would you like to provide you with this information?*

Ofwat
CCwater
New suppliers (Licensees)
Current water supplier
Business customer representative groups (e.g. Energy Information Centre, MEUC, Chemical Industries Association)
Other (please write in) [ ]

Q23d *How would you prefer to receive this information?*

Email alert
Website
Newsletter
Face to face meeting
Other [please state]

Q24 *Do you have any other issues you wish to let us know about? [type in]*

[ ]

Section 7 – About Your Business

Q25 *Please type in the name of the business on whose behalf you are completing this questionnaire.*

[ ]

Q26 *What is the nature of its business?*

[ ]

Q27 *How would you classify the nature of its business?*

Agriculture, hunting and forestry
Mining and quarrying
Manufacturing (food and drink products)
Manufacturing (others including chemicals and textiles)
Construction
Wholesale and retail trade
Hotels and restaurants
Transport, storage and communications
Public administration and defence
Education
Health and social work
Other

Q28 *Please type in the Postcode where the business is located.*

[ ]

Appendix B – Satisfaction with services by CCWater region

1 Introduction

1.1 This appendix illustrates a breakdown of results for respondents' satisfaction with price and the quality of service based on CCWater areas.

1.2 Care should be taken when interpreting the results in the following tables as the base figures for each CCWater area are not the same.

Table 1.1 Thinking about your last water bill, how satisfied are you with the price in terms of value for money?

CC Water Area	Very Satisfied	Quite Satisfied	Neither satisfied or not satisfied	Not very satisfied	Not at all Satisfied
Yorkshire (Base: 69)	1%	38%	45%	13%	3%
Northumbria (Base: 28)	<1%	29%	32%	36%	4%
Northwest (Base: 95)	<1%	17%	54%	21%	8%
Midlands (Base: 110)	5%	22%	50%	12%	11%
Thames (Base: 87)	4%	28%	47%	14%	7%
Southwest (Base: 16)	<1%	13%	38%	13%	38%
Anglian (Base: 110)	6%	26%	49%	20%	<1%
Wales (Base: 44)	<1%	21%	57%	18%	5%
Southern (Base: 31)	3%	26%	42%	29%	<1%
Wessex (Base: 47)	13%	26%	32%	25%	4%

Table 1.2 How satisfied are you with the quality of the service you have received from your current water service supplier?

CC Water Area	Very Satisfied	Quite Satisfied	Neither satisfied or not satisfied	Not very satisfied	Not at all Satisfied
Yorkshire (Base: 69)	33%	51%	14%	1%	<1%
Northumbria (Base: 28)	7%	57%	18%	18%	<1%
Northwest (Base: 93)	9%	42%	27%	15%	7%
Midlands (Base: 110)	10%	35%	25%	23%	5%
Thames (Base: 85)	14%	40%	34%	12%	<1%
Southwest (Base: 16)	25%	50%	13%	13%	<1%
Anglian (Base: 110)	21%	38%	26%	14%	<1%
Wales (Base: 44)	4%	41%	52%	2%	<1%
Southern (Base: 31)	23%	45%	32%	<1%	<1%
Wessex (Base: 49)	20%	59%	8%	12%	<1%

Appendix C – Other comments

1 Introduction

1.1 This appendix details any additional comments made by respondents.

"All companies need British based help desks."

"At the moment I have the impression that this [competition] is all a waste of time. In the energy sector, much is made of open markets, but the reality is that 90% of the cost is dictated."

"Having done the survey will anything come out of it?"

"How can another supplier provide you with water when you are still using your current water supply?"

"How come an agreed 25% rise in charges for effluent over three years has become 65% in two years?"

"It would reduce suppliers and customer costs if on line AMR was offered."

"meters not read regularly enough"

"On such a basic industry with guaranteed market why are the main suppliers allowed above inflation rises for costs that any other industry would have to find out of their bottom line?"

"Our present supplier is quick to issue advice on saving water but appears to do little save the water it wastes."

"Protection of water supplies from contamination due to chemical attack is now a priority and the risks must be assessed."

"Results of the findings of this survey and any actions to follow."

"The water distribution network does not appear to be addequate for the additional users being placed on it resulting in reduced pressures."

"There continues to be wide spread ignorance about return to sewer allowances and how to calculate - which the water companies support on the basis of preventing loss of revenue."

"This is a personal view and may not be the corporate view or position."

"Transmission charges need to be carefully regulated and fixed, possibly the infrastructure being returned to public ownership. The end user should be able to deal directly with the grid/supply system owner."

"What are there restrictions on applying for a "Private Water Abstraction Licence?"

"Waste water disposal costs."

"We are a Special Health Authority and would require a guaranteed supply at all times together with at least 24 hours notice of events which may affect our supply."

"Would like to see/know location of quality reports / league tables be published."

MVA Consultancy provides advice on transport and other policy areas, to central, regional and local government, agencies, developers, operators and financiers.

A diverse group of results-oriented people, we are part of a 350-strong team worldwide. Through client business planning, customer research and strategy development we create solutions that work for real people in the real world.

For more information visit www.mvaconsultancy.com

Head Office
MVA House, Victoria Way
Woking, Surrey GU21 6DD United Kingdom
T: +44 (0)1483 728051 F: +44 (0)1483 755207

Birmingham
Second Floor, 37a Waterloo Street,
Birmingham, B2 5TJ, United Kingdom
T: +44 (0)121 233 7680 F: +44 (0)121 233 7681

Dubai
PO Box 123166, 803-805 Arbift Tower, Baniyas Road,
Deira, Dubai, UAE
T: +971 (0)4 223 0144 F: +971 (0)4 223 1088

Dublin
1st Floor, 12/13 Exchange Place, IFSC, Dublin 1, Ireland
T: +353 (0)1 542 6000 F: +353 (0)1 542 6001

Edinburgh
Stewart House, Thistle Street, North West Lane
Edinburgh EH2 1BY United Kingdom
T: +44 (0)131 220 6966 F: +44 (0)131 220 6087

Glasgow
Seventh Floor, 78 St Vincent Street
Glasgow G2 5UB United Kingdom
T: +44 (0)141 225 4400 F: +44 (0)141 225 4401

London
One Berners Street
London W1T 3LA United Kingdom
T: +44 (0)20 7612 3700 F: +44 (0)20 7436 9293

Lyon
11 rue de la Republique, 69001 Lyon, France
T: +33 (4) 72 10 29 29 F: +33 (4) 72 10 29 28

Manchester
25th Floor, City Tower, Piccadilly Plaza
Manchester M1 4BT United Kingdom
T: +44 (0)161 236 0282 F: +44 (0)161 236 0095

Marseille
13, rue Roux de Brignoles, 13006 Marseille, France
T: +33 (4) 91 37 35 15 F: +33 (4) 91 54 18 92

Paris
12-14, rue Jules Cesar, 75012 Paris, France
T: +33 (1) 53 17 36 00 F: +33 (1) 53 17 36 01

Email: info@mvaconsultancy.com

Offices also in
Bangkok, Beijing, Hong Kong, Shenzhen and Singapore

mvaconsultancy