



Customer views on restorative justice, fines and enforcement in the water industry
Report by FDS International



a Munro group company

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1. Executive Summary

Background

CCWater ensures that the water industry is aware of consumer opinion towards its service provision so that performance can improve and consumers receive a better deal. As part of this work, they are reviewing consumer attitudes towards the policy and penalties for water companies when they do not achieve statutory and regulatory targets or commit serious misdemeanours. Taking an evidence based approach ensures that the statutory consumer body is genuinely speaking on consumers behalf.

As a result, CCWater commissioned qualitative research to better understand customer views on the existing process of penalties, and distribution of resulting fines, and the potential for a restorative programme of justice.

Key Findings

- Most participants displayed little initial knowledge of or interest in the workings of the water and sewerage industry:-
 - but most engaged well with a complex subject especially after being given more information and their responses were coherent and reasoned
- On assessing the seriousness of examples of possible water company misdemeanours, five were initially classified as the most serious and these were still rated the most serious at the end of the discussions:-
 - company providing drinking water unfit for human consumption
 - flooding of properties by sewage
 - pollution of local streams and rivers
 - mistakes on bills leading to overcharging
 - misreporting of statistics to Ofwat
- People felt that companies who transgressed should be punished, especially where the transgression was serious or deliberate
- For some, hefty punishment was seen as an essential deterrent against companies looking after their own interests. Customers did not want to see problems recur and believed such companies should be punished on principle
- For most failures or misdemeanours, further investment in the company's networks was first or second preference although for some their support of this option was conditional upon investment being paid for through company profits rather than increased bills
- Most did not want resulting fines to go to the Treasury and were able to judge issues on a case by case basis to establish the most appropriate solution for each
- Where individual customers could be identified as suffering from a company's error, most felt those customers should be compensated

- Some favoured caps on prices as appropriate punishment, especially where a company had given its associates generous contracts
- There was only muted support for the money from fines being directed to charities/community groups and widespread suspicion of this proposed action, although some favoured help for their local area
- Most were also against the principle of fines being used exclusively for the benefit of low income households believing all customers should be treated the same
- There was little awareness in Wales of the not-for-profit status of Dŵr Cymru/Welsh Water:-
 - there were mixed views as to whether a not-for-profit status justifies different treatment from other companies, but people did not want customers to suffer for Welsh Water's mistakes
- Most customers were able to express preferences for how money resulting from fines should be used especially after additional briefing information was provided. Most concluded that there was not a one size fits all solution but that each misdemeanour should be judged individually to find the most appropriate solution.

2. Technical Details

2.1 Introduction

- 2.1.1 In recent years, several water and sewerage companies have been fined for the misreporting of data to the Regulator and/or other failings. In most such cases, the monies resulting from these fines went directly to the Treasury.
- 2.1.2 CCWater has for some time been considering this procedure and its effect on customers' trust of the regulatory system and of water companies. It believes it is inappropriate and unnecessary for fines to automatically go to the Treasury and where water and sewerage companies are punished, it believes that customers can be the beneficiaries.
- 2.1.3 CCWater needed to understand customer opinion about this process to ensure it is genuinely speaking on their behalf. FDS was commissioned to conduct qualitative research among the general public to gain a snapshot of their views. The research conducted by FDS was designed to examine customers' attitudes towards fines and the principle of 'restorative justice' whereby water companies are compelled to provide benefits to customers in the form of infrastructure improvement or rebates or community schemes rather than simply paying a fine to the Treasury.

2.2 Research Objectives

- 2.2.1 The core research objectives were to establish customer attitudes towards:-
- current enforcement practices
 - how a restorative justice approach might work
 - preferred enforcement practice depending on the type of transgression.
- 2.2.2 At this stage in its evaluation, CCWater was keen to *understand*, rather than measure, customer opinion and attitudes towards the current system and proposed restorative justice system. As such it was decided to adopt a qualitative methodology. Part of the research process was to gauge whether views could accurately be measured through a subsequent quantitative exercise on what is a relatively complex subject.

2.3 Approach

- 2.3.1 In total, eight focus groups were conducted. Each group was moderated by an experienced FDS moderator and a topic guide agreed with CCWater was used to steer the discussion (included in Appendix A). Each group comprised water customers with differing characteristics and the following table details the composition overall.

| Focus Group Composition | | | |
|-------------------------|---------------|-------|--------|
| Water company area | Location type | Age | Class |
| Severn Trent | Urban/Rural | 21-44 | ABC1C2 |
| Severn Trent | Urban/Rural | 45-74 | C1C2DE |
| Thames Water | Urban | 21-44 | C1C2DE |
| Thames Water | Urban | 45-74 | ABC1 |
| Southern Water | Urban | 21-44 | ABC1 |
| Southern Water | Urban | 45-74 | C1C2DE |
| Welsh Water | Rural | 21-44 | C2DE |
| Welsh Water | Rural | 45-74 | ABC1C2 |

- 2.3.2 Customers were invited to participate in the focus group and were screened for eligibility based on the above criteria using a structured recruitment questionnaire. Also, in every group at least one, but no more than three people, were dissatisfied with the value for money provided by their water company. This is based on research conducted at the end of 2008 by FDS for CCWater which found that 19% of customers were dissatisfied with the value for money of their water supply. By recruiting between one and three dissatisfied people in each group this ensured that these customers were represented in appropriate proportions.
- 2.3.3 During the discussions, participants were firstly encouraged to talk about general issues regarding the provision of water and sewerage services. They were then shown examples of recent ‘problems’ or failings of water and sewerage companies and asked to consider the seriousness of each and whether punishment was appropriate.
- 2.3.4 They discussed different options for punishments and how money raised from fines should be used.

2.4 Interpreting the findings

- 2.4.1 This report presents the detailed findings from the research based both on discussions and self-completion questionnaires distributed during the sessions.
- 2.4.2 It should be remembered, that qualitative research is exploratory and based on a small sample of a target audience allowing insight into peoples' attitudes and beliefs. Qualitative research is designed to be illustrative and does not normally produce statistics, but will identify the range of views within a particular group. In this instance, because we surveyed fairly robust numbers in total (over 60), some of the data presented from the groups are quantitative in nature. These data are useful in giving broad indications of customer preference which we believe would be replicated in a larger study but the groups were limited to few areas so we make no claim that we surveyed perfectly representative samples from which results can be extrapolated for the whole of England and Wales.
- 2.4.3 Participants will have provided views based on information from various sources such as people they know or the media. Sometimes the information may have been incomplete or simply misinterpreted; these comments may be repeated here to illustrate the views of the public even if incorrect or misguided.

3. Awareness of regulator and its role

- There was limited awareness of the existence of a regulator in the water/sewerage industry and what it does
- But the role of the regulator was seen as potentially very important in an uncompetitive market.

3.1 When asked general questions about attitudes towards regulators, most participants struggled to name regulators or consumer groups operating in different industries.

3.2 For those who were aware of regulators or willing to speculate on their role, perceptions were generally accurate, with suggestions including their ability to control prices, maintain service standards and water quality and to ensure that customer complaints are dealt with appropriately.

“Generally, they’re there to try and protect the consumer from something”

(Female, under45, C1C2DE, Thames Water)

“Another big thing is quality of water which we have just seen in the news from North Wales”

(Male, under 45, C2DE, Welsh Water)

“Pricing, why are we always paying more for our water than somebody in England?”

(Female, under 45, C2DE, Welsh Water)

3.3 Overall, customers thought less about water and sewerage bills and services than they did about energy or telecoms. Understandably however, if a participant had or was experiencing an issue with their water service it was more top of mind. For example, one participant was more aware of her water services because she was unhappy with the quality of the tap water she was receiving and claimed she had not had a satisfactory response from the water company.

3.5 Water services were largely taken for granted, partly because of the low impact water bills have on their finances, in comparison to other similar services. It was a common assertion that water bills are much lower, particularly if a household has a meter. In contrast, energy bills were cited as being much higher and constantly changing, making it difficult for some participants to manage and budget for.

3.6 Despite participants admitting that water services are not of particular importance to them, some stated that in an uncompetitive market where customers cannot switch between providers, the role of a regulator becomes even more significant.

- 3.7 However, there was a degree of cynicism towards the power that regulators and consumer bodies have over companies. A few claimed that such organisations may be too cosy with the companies they are supposed to be regulating and others that they may just be unwilling to try and sort out issues. This view was based on a distant perception rather than direct personal experience of dealings with regulators or consumer organisations.

“When it comes down to the nitty gritty there is not really very much they can do about anything”

(Female, C1C2DE, 45+, Southern Water)

“(CCWater) are independent of the water companies but the water companies are funding them so how independent can they be?”

(Female, C1C2DE, 45+, Southern Water)

4. Initial evaluation of water company failings

- **The most serious potential failings were perceived to be**
 - **providing drinking water unfit for human consumption**
 - **flooding of properties by sewage**
- **There was some awareness of actions taken against water companies especially among people living in that company's area**
- **A Severn Trent shareholder argued that the costs of punishment were being borne by customers rather than shareholders.**

4.1 Awareness of enforcement system

- 4.1.1 Before providing participants with examples of water company actions which had led to punishment, moderators explored existing awareness of the enforcement system.
- 4.1.2 There was greater awareness of actions being taken against water companies among older rather than younger participants.

"I think Thames were fined last year because they had leaks"

(Female, C1C2DE, 45+, Southern Water)

"I think Thames Water are fined every few weeks or it seems like it, for various misdemeanours, but I don't know, I think ultimately we end up paying for that don't we? So it's really a shame when they do something wrong as we are the ones who end up taking the stick for it"

(Male, ABC1, 45+, Thames Water)

"Thames Water did recently didn't they? For polluting one of the streams I seem to remember about a month ago. They were quite heavily fined for that and I think there has been one or two other minor rivers where there has been sewage leakages and things like that. I can't remember the exact amounts that were levied as a fine, but I seem to remember those in the last month or two"

(Male, ABC1, 45+, Thames Water)

"Half the (Severn Trent) board were dismissed because of misreporting"

(Male, C1C2DE, 45+, Severn Trent)

- 4.1.3 In fact, for Severn Trent, one of the participants had become a shareholder of the water company and argued that it had been punished too lightly for its behaviour. Despite personally benefitting from this as the fine did not impact on his dividend, he still felt that this demonstrated faults in the current system, and argued that if the cost of meeting the punishment is not passed on to shareholders, it is the customer who will ultimately suffer.

“They were expecting a mighty hit and they got off with a third of what they should have paid. But why did it have to be a whistleblower, how long had it been going on for? This was right up the board level that they know about it, so that’s corruption right the way through....as a shareholder my dividend has not gone down when they’ve been fined. They’ve increased the dividend ever since it was private”

(Male, C1C2DE, 45+, Severn Trent)

4.2 Spontaneous assessment of misdemeanours

4.2.1 Before moving to a more informed discussion, participants were given a list of possible failings that a water company may be guilty of and asked to assess how serious each was.

4.2.2 The failings were:-

- Providing drinking water unfit for human consumption
- Providing discoloured but safe drinking water
- Making mistakes on bills leading to overcharging
- Polluting local streams and rivers
- Misreporting of statistics to Ofwat
- Flooding of properties by sewage
- Company provides its associated companies with generous contracts
- Slow to answer phone
- Slow to respond to letters from consumers

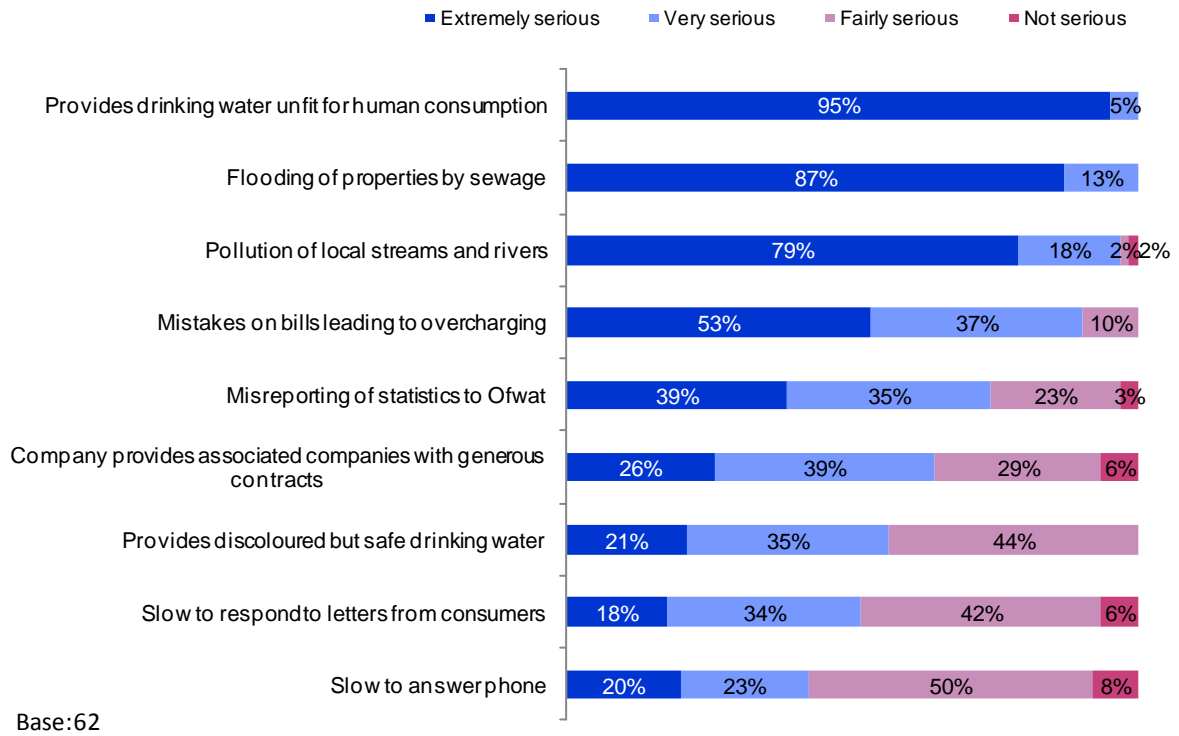
4.2.3 Chart 1 shows how serious each of these actions is perceived to be by customers. Water quality is clearly important to people with 95% stating it is extremely serious if a water company provides drinking water unfit for human consumption. Indeed, no-one rated it as being less than very serious.

4.2.4 Properties becoming flooded by sewage is also deemed particularly serious, with 87% saying it is extremely serious and a further 13% very serious.

4.2.5 It is not only issues which have an immediate impact on individuals which are viewed seriously. Nearly four in five (79%) say that a water company being responsible for the pollution of local streams and rivers is extremely serious and 18% very serious. However 2% claimed this was not a serious issue.

4.2.6 Most participants considered each aspect to be a serious matter, although response times for customers' enquiries were viewed as being less so than the other aspects.

Chart 1: Pre-discussion analysis of seriousness of actions



4.3 Overcharging

4.3.1 Overcharging customers as a result of a misdemeanour was seen as serious by most. This was for a number of reasons including:-

- Companies benefitting through their dishonesty
- By paying more, customers could suffer financial hardship

“I do think sometimes they need to prioritise. In the scheme of things I’ve put they’re slow to answer the phone and slow to respond to letters as fairly serious, against these others with unfit drinking water. If you’re over charging people by mistake or on purpose then you know, especially in the current situation where people are budgeting, everything is really tight”

(Female, ABC1, Under 45, Southern Water)

- Customers may be faced with delays and/or hassle in claiming back money

“If they overcharge somebody they can take the money straightaway. It takes them several days if not weeks to get the money back to you if they are at fault”

(Male, C2DE, Under 45, Welsh Water)

4.4 Misreporting statistics

- 4.4.1 A water company misreporting their statistics to Ofwat was considered serious by most participants although the potential impact on the level of their bills was not always understood.

“The Regulator can’t make a proper assessment if he is not given the truth can he? If he is given a set of figures to say this, and they are actually much worse, he is not able to put the position right because he hasn’t got all the facts”

(Female, ABC1 C2, 45+, Welsh Water)

“They have deliberately misreported in order to make a bigger profit. To gain financially”

(Female, C1C2DE, 45+, Southern Water)

- 4.4.2 In a few of the discussions, some participants expressed disbelief that a water company, which is a large organisation, would even attempt to knowingly provide incorrect information to a regulator. When considering the seriousness of the proposed misdemeanours, some younger participants assumed the behaviours under discussion were hypothetical and were astonished when it was revealed that water companies (including their own) had actually done these things.

“I just assumed, naivety I guess, I just thought people did what they were meant to do”

(Female, C1C2DE, under 45, Thames Water)

5. Initial attitudes towards possible justice solutions

- People felt different solutions were appropriate for different failings.
- Compensation was favoured where the customers who had suffered as a result of company failings could be individually identified.
- There was also support in most circumstances for obliging companies to invest for the long-term benefit of customers.
- There was limited support for the idea of fines going to the Treasury.

5.1 Introduction

- 5.1.1 An important aspect of the discussions was to establish customers' initial views on ways of dealing with misdemeanours committed by water companies. Having established how serious participants felt each transgression was, they were given a list of possible solutions which could be imposed and were asked to select their preference for action. The groups had already been informed that in many cases, if a fine is levied, monies will go to the Treasury.
- 5.1.2 Chart 2 shows that customers were able to assess failings on an individual case basis and judge what they felt to be the most appropriate method of justice rather than having a one size fits all policy.

5.2 Compensation to customers

- 5.2.1 This option was the most popular for only three out of the nine failings provided to participants.
- 5.2.2 Around three-quarters said compensation for customers was the most appropriate way of dealing with *flooding of properties by sewage* and *mistakes on bills leading to over-charging*, and two-thirds thought this was the most appropriate action for a water company *providing drinking water unfit for human consumption*.
- 5.2.3 A significant minority (27%) felt compensation was appropriate for discoloured but safe drinking water and 16% felt compensation was due when companies were slow to respond to customer letters.

5.3 Company obliged to invest

- 5.3.1 It should be noted that for unfit drinking water and flooding by sewage, other options were also considered suitable by a relatively high proportion of participants. 50% and 32% respectively said companies should invest further in their networks. Enforced investment was also the preferred justice solution if a water company was providing *discoloured but safe drinking water* or was responsible for the *pollution of local streams and rivers*.

“On the discoloured water they could put money to invest in a public service, to get to the problem, remove the pipes or whatever”

(Male, C2DE, Under 45, Welsh Water)

5.4 Caps on prices

- 5.4.1 Opinion was divided on possible solutions for dealing with water companies giving lucrative contracts to associated companies. 35% of participants felt that imposing caps on prices was the most appropriate solution while just under a quarter preferred a fine going to the Treasury or for the regulator to provide advice to the company which they would be obliged to follow.
- 5.4.2 There was also some support for caps on prices in response to:-
- mistakes on bills leading to overcharging
 - misreporting of statistics to Ofwat
- 5.4.3 The initial levels of support for price-capping may have been relatively modest because it was not initially understood as well as options such as fines or customer compensation.

5.5 Fines to the Treasury

- 5.5.1 Only in the case of misreporting of statistics to Ofwat was a fine going to the Treasury the most popular choice and even then fewer than half (37%) favoured this option.
- 5.5.2 There was also some support for the idea of fines going to the Treasury when:-
- companies provided associated companies with generous contacts (24%)
 - local streams/rivers were polluted (24%)
 - drinking water was unfit for human consumption (15%).
- 5.5.3 Some participants found it more difficult to assess what a suitable and appropriate level of justice would be for a water company committing the nine examples provided.

“(A hefty fine would be) something that really hurts. It’s no good fining them £1000 when that’s not going to hurt them, but a million pounds might, but it doesn’t come from us, it has to come out of their profits”

(Male, ABC1, 45+, Thames Water)

“(Fines) are negligible. They write them off to charity or they put the rates up”

(Female, C1C2DE, 45+, Southern Water)

- 5.5.4 Within some of the discussions, people suggested without prompting that fines should not be a flat fee but reflect the size of the company, how many customers it serves and its turnover.

5.6 Regulator provides advice

- 5.6.1 Almost half felt that advice from the regulator was an appropriate solution for dealing with companies which were slow to answer phones and correspondence. However, these two misdemeanours also received the highest proportion of participants stating no action was required.
- 5.6.2 For all other failings, there were significant minorities favouring the option of the regulator providing advice – often in conjunction with another punishment or penalty.

5.7 Financial help to struggling households

5.7.1 The options for justice solutions included water companies supporting households which were struggling to pay bills. Generally there was minimal support for this although a few felt this was a suitable response to mistakes on bills leading to over-charging.

5.8 Payments to charities/community groups

5.8.1 Few people initially supported the idea of giving payments to community groups or charities as a response to company failings.

Chart 2 – Suggested justice solutions

| Pre-discussion selected justice solutions | | | | | | | | |
|--|----------------------------------|---------------------|---------------------------|------------------|----------------|--|---|-----------|
| % Favouring Solution | | | | | | | | |
| | Compensation direct to customers | Company must invest | Regulator provides advice | Fine to Treasury | Caps on prices | Financial help to households struggling to pay bills | Payments to charities/ community groups | No action |
| Misdemeanour | | | | | | | | |
| Provides drinking water unfit for human consumption | 66 | 50 | 29 | 15 | 6 | 6 | 2 | 0 |
| Provides discoloured but safe drinking water | 27 | 55 | 31 | 3 | 10 | 0 | 0 | 0 |
| Mistakes on bills leading to over-charging | 73 | 10 | 16 | 5 | 18 | 18 | 0 | 2 |
| Pollution of local streams/ rivers | 6 | 58 | 35 | 24 | 3 | 2 | 10 | 0 |
| Misreporting of statistics to Ofwat | 10 | 10 | 34 | 37 | 15 | 2 | 11 | 3 |
| Flooding of properties by sewage | 77 | 32 | 26 | 5 | 5 | 8 | 0 | 0 |
| Company gives associated companies contracts | 6 | 3 | 23 | 24 | 35 | 5 | 10 | 8 |
| Slow to answer phone | 13 | 23 | 45 | 3 | 3 | 3 | 5 | 18 |
| Slow to respond to letters | 16 | 31 | 42 | 6 | 3 | 2 | 5 | 10 |
| Base:62 (Figures add to more than 100% because some felt more than one solution was appropriate. Most popular options are shaded purple and second most popular options, pink) | | | | | | | | |

6. Informed evaluation of water company failings

- Participants expressed shock and dismay that water companies should appear to deliberately misreport statistics.
- In most circumstances, people felt punishment for deliberate deception should be harsher than penalties for making mistakes.

6.1 Introduction

- 6.1.1 Having explored participants' spontaneous attitudes towards the seriousness of particular issues and possible justice, they were provided with real examples of misdemeanours by water companies and the resulting punishment issued (Appendix B).

6.2 Misreporting Statistics

- 6.2.1 Opinions on how a mistake by a water company should be dealt with were divided across participants. While some thought punishment should be relatively lenient, especially if identified by the company itself, others felt that despite being a mistake, if it has resulted in customers having higher bills for example, then more substantial action is warranted.

- 6.2.2 When discussing mistakes more generally, some argued that mistakes were symptomatic of a company failing to invest adequately in staff and/or systems.

"If it's a genuine mistake, they should just make it compensation to cover that mistake"

(Female, ABC1, 45+, Thames Water)

"It depends on what the mistake is you see. This is worth millions of pounds, it's costing us millions of pounds, then it's quite a big mistake and obviously they can't just say sorry, something's got to be compensated hasn't it?"

(Male, ABC1, 45+, Thames Water)

"If they own up they should be treated more leniently. We made a mistake here"

(Male, ABC1C2, 45+, Welsh Water)

- 6.2.3 While there were mixed views on the way in which mistakes by water companies should be dealt with, there was a consensus on deliberate acts of deception which was that such misdemeanours were fraudulent and that water companies should be heavily penalised.

"If it's a mistake it's a mistake and if they can prove it's a mistake then okay, perhaps a small fine. If it's deliberate, trying to fool the public about the quality of the water they are getting, then that's fraud in my way of thinking and they should be heavily fined on that"

(Male, ABC1, 45+, Thames Water)

"I don't think they should be allowed to get away with it....if it's deliberate misreporting then they should be penalised"

(Female, ABC1C2, 45+, Welsh Water)

“If it was done intentionally, then yes it should be a hefty fine. I think it ought to be stopped from trading”

(Female, ABC1, Under 45, Southern Water)

- 6.2.4 It was recognised however, particularly in younger groups, that there may be difficulty in differentiating between deliberate and accidental misreporting. If mistakes are a result of human error through carelessness or laziness or through under-investment by the company can this be viewed as a deliberate falsification of facts and figures or accidental errors?

“Most of the problems that probably occur are something that could be avoided, not necessarily that they knew about it, but if they had done the checks then it could have been avoided”

- 6.2.5 Some people felt so strongly about companies which deliberately misled Ofwat or customers, that they argued fines or price capping would not go far enough to ensure a company did not commit the same misdemeanour again. In some cases they believed that if the managers or Chief Executives involved were aware of the transgression then they should be directly punished through losing their positions or worse.

“Somebody should be having the chop really”

(Female, C2DE, Under 45, Welsh Water)

- 6.2.6 There were also suggestions that as the water industry is an uncompetitive market, in serious cases of wrongdoing, it should be an option to remove the licence from a water company and instead award it to a company which has been playing by the rules.

“There are only 20 companies competing for business. There needs to be seriously hefty fines to make any kind of difference. Alternatively stop them”

(Male, ABC1, Under 45, Southern Water)

“People should be watching them and if they don’t deliver them they should be removed”

(Male, C2DE, Under 45, Welsh Water)

- 6.2.7 Some felt that publicly shaming a company would deter it from re-committing the misdemeanour again. However this viewpoint may not have considered that domestic customers in the water industry cannot change their supplier.

“I think that’s even worse than the actual fine because then they lose face in front of many people. If people said, well I don’t like them so they lose one customer before even being tried, so that alone is bad publicity for them”

(Female, ABC1, Under 45, Southern Water)

6.3 Awarding contracts to associated companies

- 6.3.1 When first considering the seriousness of awarding contracts to associated companies, customers were divided in their views. Some struggled to see why this was such an issue as it was possible that a water company may have more confidence in the quality of work of an associated company than a more competitive supplier with no history of working for them.

- 6.3.2 Furthermore, some believed it was a standard business practice to retain previous suppliers and despite acknowledging that it may be described as unfair trading, they were not particularly troubled by it.
- 6.3.3 As a result of these opinions, some expressed surprise at the size of the fine incurred in the example given, while others felt that the fine was proportionate to the wrongdoing as the company had been dishonest.

“With most companies you’ve got a choice to go somewhere else, if you don’t like the price, whereas they were giving jobs to their mates and because of that your bills were higher”

(Female, ABC1C2, Under 45, Severn Trent)

“That money should be put back into the actual system that should be provided”

(Male, C2DE, Under 45, Welsh Water)

6.4 Slow response times

- 6.4.1 Customers tended to expect a relatively long wait when telephoning water and other utility companies. While this was an irritation to people, it was not deemed a serious failing in comparison to other examples of misdemeanours.

“It’s annoying. I find it annoying more than serious”

(Female, ABC1, Under 45, Southern Water)

“Slow to answer the phone. I put no action”

(Female, C2DE, Under 45, Welsh Water)

- 6.4.2 Some did however show concern that water companies would receive revenue by keeping customers on the phone for long periods of time and others thought that slow answering times were serious as some calls could be to register a complaint.

“They won’t take on any more people to answer the phone because it costs more, therefore they would reduce their profits”

(Male, C2DE, Under 45, Welsh Water)

“I think they should be punished because obviously they are ringing to complain about something usually. I think if they’re slow to answer or slow to respond, they should be capped, although I don’t think it’s as serious as horrible drinking water”

(Male, ABC1C2, Under 45, Severn Trent)

7. Informed attitudes towards possible justice solutions

- After further consideration people still did not generally want fines to go to the Treasury.
- People wanted regulators to ensure that fines levied against companies came from their profits and did not result in increased bills or reduced service for customers.
- While people would welcome compensation in some circumstances, maintaining or improving service levels and quality of water were seen as even more important.

7.1 Introduction

7.1.1 Participants were informed that the example misdemeanours they had been shown, and the action taken to deal with them were real. They were then asked to deliberate further on their views of the most appropriate actions to take. As well as focussing on failings, participants considered the appropriateness of different types of punishment, looking at which types were in principle good or bad and why.

7.1.2 Overall, many customers felt that water companies should be dealt with in two ways, and be fined as well as forced to rectify the problem. They felt this would combat the issue of companies not having a true incentive to get things right first time. This was particularly felt to be the case in reference to the forced investment imposed on Thames for not meeting their leakage targets.

“If you’re pulled over by the police or something and you got a fine, you would still have to pay out of your own money to get the problem fixed on your car. It wouldn’t be taken out of the fine, so it should be two separate things”

(Male, ABC1C2, Under 45, Severn Trent)

“It’s the only thing they understand, what their profits are going to be at the end of year, so it kind of made sense to me, that the only way to really hurt them is to take money away from them. They don’t care if the customer is upset, as long as they make so many millions a year”

(Female, ABC1C2, Under 45, Severn Trent)

7.1.3 Regardless of what the transgression was, it was felt strongly across the discussion groups that if a fine was levied against a water company it should come from the profits of that company and not have an impact on customer bills. Therefore, in the example of Thames Water, if further investment is the stipulated solution, customers would expect that as a punishment the company would fund such investment from profits and not from raising customer bills. However, customers generally knew little of the enforcement regimes operated by regulators. This meant some were worried that companies might increase bills rather than be obliged by their regulator to make payments from profits.

7.1.4 It was widely felt that if customers were to experience a price rise to deal with enforced investment then the customer is losing out twice, firstly by their water company not investing appropriately in previous years and then by having to fund the required investment.

7.2 Compensation to customers

- 7.2.1 There was considerable support for compensation being paid to customers where a company is found guilty of something which affected customers directly.

“It should be a credit on the bill, or we shouldn’t have to pay as much, or they should start payments later in the year”

(Female, C1C2DE, 45+, Southern Water)

“[Customers] are the people they have taken the money from. They are the people that have an obligation to make sure that the water is drinkable and everything else that we expect of a water company but they don’t do it. It should go back to customers”

(Female, C1C2DE, 45+, Southern Water)

- 7.2.2 Some customers, however, emphasised that they would not want lower bills if it meant a reduction in the quality of water services overall.

“I was going to say everyone wants to pay less bills. If somebody says, oh you can have it for less you’re not going to say, no I’ll pay more that’s alright. I think the most important thing is making sure we’re having safe drinking water and that we know our water is not being contaminated, that the sewage is being gotten rid of properly. I think for me that’s the most important thing. I’ve got an increase in my bill from last year to this year but I think so long as I know I’m not putting my children at risk drinking the water that comes out from the tap”

(Female, ABC1, Under 45, Southern Water)

“What you’re drinking and the service is everything altogether that is more important than having a few pounds off”

(Female, ABC1, Under 45, Southern Water)

- 7.2.3 This last comment highlighted a fairly widely-held view that when compensation payments are spread across a huge number of customers, the payment becomes so small that it matters very little to the individuals concerned even if in aggregate the sum paid out might be considerable.

7.3 Company obliged to invest

- 7.3.1 After seeing examples of how water companies were punished for this misdemeanour some participants were particularly critical of the punishment meted out to Thames Water in response to their failure to meet their leakage targets¹. It was felt, particularly among the Thames Water customers that this punishment gave little incentive for making sure they invested appropriately for the future without the regulator's intervention.
- 7.3.2 When the regulator decided not to fine but to demand greater investment instead, it was felt that Thames merely had to do what they should have done initially. It was felt that Thames had effectively postponed investment for the three years it missed its targets and this would have boosted its profits. Despite Ofwat putting in place a legally binding agreement with Thames that it would invest an additional £150m over a three year period, double the fine of £75m in their power to issue, this was not seen as an appropriate punishment for the company. This was probably because some participants did not seem to comprehend that Thames had been required to invest £150m over and above the investment that was initially required.

"It's fraud in the sense that we believe that we are getting good value for our money, but in actual fact they are just saying that their profits are high but they are not actually giving us the mending and the building of new structure that has been promised"

(Female, ABC1, 45+, Thames Water)

"They are in a win-win situation really because if they don't invest the money to do the leakages, they get fined and the money has to be put into leakages. It seems rather pointless having to do it, you may as well take the fine and put the money back in so in a lot of ways they are inflating their figures and they are on a winner anyway"

(Male, ABC1, 45+, Thames Water)

"They should have paid the fine and been told to put all that money back in because if they'd fixed the pipes when they knew they'd gone wrong they'd have spent that money anyway"

(Female, C1C2DE, Under 45, Thames Water)

¹ Thames Water had failed to meet its leakage target three years running and by not investing sufficiently had artificially boosted its profits. Ofwat obtained a legally binding agreement from the company that it would invest £150m over a three year period in leakage control activity to meet its targets.

7.4 Fines to the Treasury

- 7.4.1 This research was conducted at a time when faith in government was at a low level (but before the MP expenses furore) and so there were concerns over fines going to the Treasury where it cannot be ring-fenced to deal with issues associated with water and sewerage services.

“When it goes to HM’s Treasury what does it do? Is it paying for debts that we already have in this country, or is it actually going towards the war, you don’t know do you?”

(Male, ABC1, 45+, Thames Water)

“They waste money more than the water companies. The government is not going to use the money to make good the problem that the water company has just caused”

(Female, C1C2DE, 45+, Southern Water)

“Maybe it can go to making the problem better instead of into the government”

(Male, C1C2DE, 45+, Southern Water)

- 7.4.2 It was also felt by some that the current system was not offering any benefits to customers although they may have suffered as a result of the transgression.

“With any form of fining, I think everybody would prefer it to somehow get directly back to the customer. I don’t think the Treasury should have it. I think the customers should have it. Somehow it’s the customer that should be reimbursed”

(Female, C1C2DE, 45+, Southern Water)

“The customer’s taken the brunt of everything and got nothing back. Those companies are failing their customers, but according to this [information given in groups] the customer’s not getting anything in return”

(Male, C1C2DE, 45+, Severn Trent)

- 7.4.3 However, there were times when participants felt that certain actions could warrant any resulting fines being directed to the Treasury. This was largely the case when customers did not perceive a direct threat to their water quality or their bills.

“In the case of water, then the fine must come back to us to improve it. If however it’s like deliberate misrepresenting figures, nobody is actually drinking bad water or anything, I think it perhaps should go to the government because the government’s got to get money from somewhere and it’s another source of income for them, they have to run the Army and all these things”

(Male, ABC1, 45+, Thames Water)

“I don’t mind it going to [the Government] for certain things but not when it’s affected the customer directly”

(Male, ABC1C2, Under 45, Severn Trent)

“If they were polluting the local streams and rivers it’s generally going to be a government or government body that has to clean that back up”

(Female, ABC1, Under 45, Thames Water)

8. Attitudes towards Restorative Justice Solution

- There was support for the principle of restorative justice, and people especially liked the idea of companies making additional investments out of their profits
- They also felt that if a specific locality was affected by company failings then this should be the one to benefit from restorative actions taken
- However, people were often suspicious of the ideas of contributing funds to charities or community groups or of offering financial help to struggling households

8.1 Introduction

- 8.1.1 Participants were prompted to consider in greater depth the concept of restorative justice, whereby water companies would be compelled to invest in infrastructure improvement rather than simply paying a fine to the Treasury. Examples of restorative justice were provided to participants to deliberate (Appendix C).

8.2 Company obliged to invest

- 8.2.1 For some, investment for the future was key to establishing a quality service. It was felt however that the relevant regulator would need to undertake checks on water companies to ensure that promised investment was being completed.

“(Money should be) re-invested in the company to actually go towards repairs for the future, because it’s better for them to have that money there for the future”

(Female, C2DE, Under 45, Welsh Water)

“They would have to go to Ofwat to say ‘we have got to do this’ and then Ofwat can send out one of their own engineers to check yes, that money is going to be used for that, it’s not going to be used sideways to get something for the company you know”

(Female, C2DE, Under 45, Welsh Water)

“You’ll compensate the people if they haven’t been told that you’re going to switch the water off. That’s not a problem. But accounting errors, that should be thrown back in the pot to reinvest it”

(Male, C1C2DE, 45+, Severn Trent)

“If they repaired all the water mains and reduced the leakage level, then that’s going to reduce the costs to the company. Therefore they don’t have to actually ask for a greater increase in bills. If you sorted out all the problems then the costs would come down and in that way the customer will benefit”

(Male, ABC1C2, 45+, Welsh Water)

“You’d like to think if the system was better we’d all pay less, but I wouldn’t be convinced about that”

(Male, C1C2DE, 45+, Severn Trent)

“Will they use these fines to go into looking at other ways of providing the water, like the desalination and things like that? Why aren’t they made to use the fines to create cheaper water?”

(Female, C1C2DE, 45+, Severn Trent)

- 8.2.2 Some said they would welcome more publicity and information about how monies raised by fines would be invested or used.

“If they are going to be fined £75 million that equals £9 per household and they are now going to do this with the money and therefore that £9 you can see something coming for it, yes I’d like to see that. We don’t get any feedback or I don’t notice it”

(Male, ABC1, 45+, Thames Water)

8.3 Payments to charities/community groups

- 8.3.1 Opinion on monies from fines being given to local charity and community groups was mixed.

- 8.3.2 Many participants appeared in favour of this response if their own ‘local community’ or a specific area had been affected by an issue created by the water company.

“If it’s my home town, if something happened to the river there, it’s like a community thing and they should pay to get it put right and for the inconvenience it should go towards that local community for parks for the kids or park benches for people to sit on. You know the fine should go towards improving that community as a way of saying sorry”

(Female, ABC1C2, Under 45, Severn Trent)

“Only one part of it was directly paid to the area that’s been ruined or say a school was flooded the money needs to go there straight away to be fixed. A lot of people in Lewes have waited years for any money back and why should they wait?”

(Female, ABC1, Under 45, Southern Water)

- 8.3.3 Moderators made sure that the favourable response to helping local communities was not simply because participants expected to benefit themselves. Even when it was pointed out that they would not benefit personally if help went to communities other than their own, participants maintained this view.

“It should go to that community because that’s the community that’s been affected”.

(Female, ABC1C2, Under 45, Severn Trent)

- 8.3.4 When considering fines being directed to local community or charity groups, however, views tended to be more negative and there was some suspicion as to how monies that went to such organisations might be spent.

"I think it's a spin off between on the one side being charitable to people and organisations who need the money and on the second side obviously making sure that our service levels are maintained or made better in the future, so it seems a bit of a spin off between the two"

(Male, ABC1, 45+, Thames Water)

"If it went to the Government then they could put it directly to old people anyway, you know like they do with the winter ones and stuff like that, that would be more beneficial, if it's going to anyone"

(Male, ABC1C2, Under 45, Severn Trent)

8.4 Financial help to struggling households

- 8.4.1 There was a lot of scepticism across the discussion groups about monies from fines being used to help customers in low income groups. Participants frequently distinguished between the ‘deserving’ poor, such as the elderly, and the ‘undeserving’ poor such as the workshy.

“What if that low income customer has got five kids and sits on his arse all day and you haven’t got any and you’re working.”

(Male, ABC1C2, Under 45, Severn Trent)

“Where do you cut it off, the lower income families? When I get my bills I think I am very low income”

(Female, C2DE, Under 45, Welsh Water)

“Low income – the ones that don’t want a job are on the social – all benefit people, bringing in more boxes of money a week”

(Female, C2DE, Under 45, Welsh Water)

“So I pay for the debt recovery and then I’m paying for them to put money into the charity pot for the people that have got the debt recovery”

(Female, C1C2DE, Under 45, Thames Water)

- 8.4.2 Some however did see benefits in supporting low income households rather than fines going to the Treasury.

“I think it’s fair if they are going to give it to low income households. Fairer than going to the Treasury”

(Female, ABC1C2, 45+, Welsh Water)

- 8.4.3 Some saw the benefits of using fines to provide water efficiency aids to customers but felt this was something that would be valuable universally rather than just for low income customers.

“If they were going to offer those at a low price why would they be just offering them to low income, they want to save the water for everyone, then surely they should give them to everyone”

(Female, C1C2DE, Under 45, Thames Water)

“I think it’s a good idea that we’re all more efficient with water across the board, not just for lower income people”

(Female, C1C2DE, 45+, Severn Trent)

- 8.4.4 Some felt it was up to manufacturers to produce economical water efficiency aids and a few expressed concerns that providing subsidies for water efficiency could result in people fiddling the system.

“It’s abuse of the system again possibly”

(Male, C1C2DE, 45+, Severn Trent)

8.5 Funding to make water dispensers available in public places

- 8.5.1 A Coventry woman observed that where water dispensers were available in public places they did tend to be used, but in the context of a discussion on restorative justice this idea did not attract much support. One respondent saw a potential disadvantage in water being more widely available in shopping centres and elsewhere.

“I go past King Henry VIII school at 6-15 every morning and there’s one or two people sleeping the night on the benches at the back with all their belongings and all the rest of it. And all that would be doing in my view is to encourage some more”

(Male, C1C2DE, 45+, Severn Trent)

8.6 Enforcement solutions for not-for-profit companies

- 8.6.1 As Welsh Water is a not-for-profit water and sewerage company, participants also considered whether proposed restorative justice processes were appropriate for all water companies or only those which are profit making with shareholders.

- 8.6.2 In the Welsh Water discussion group, there was modest awareness that the company does not have shareholders but others were unaware. There was some scepticism about the situation being beneficial to customers.

“Are they genuinely a not-for-profit company?”

(Female, ABC1C2, 45+, Welsh Water)

“As long as (money saved through fines not being imposed) doesn’t pay for salaries of the managers”

(Male, ABC1C2, 45+, Welsh Water)

“Look at their pensions. That’s what we are paying for”

(Male, C2DE, Under 45, Welsh Water)

- 8.6.3 In other water company areas, there was mixed reaction to whether non profit making companies should be treated the same if committing a transgression.

- 8.6.4 Some felt there should be no difference in treatment.

“It’s due diligence isn’t it, if they do make a mistake they should be fined even if they are not-for-profit”

(Male, ABC1, 45+, Thames Water)

“They should be penalised for what they’ve done wrong”

(Female, ABC1, Under 45, Southern Water)

- 8.6.5 Others felt that fining not-for-profit companies would only hurt their customers, and suggested that this kind of organisation would never engage in deliberate deception.

“You would assume that mistakes that have been made are not going to be deliberate ones like fiddling figures etc because there’s no profit being made”

(Male, ABC1, Under 45, Southern Water)

“They would self regulate themselves...There’d be no incentive because there’s no profit”

(Male, C1C2DE, Under 45, Thames Water)

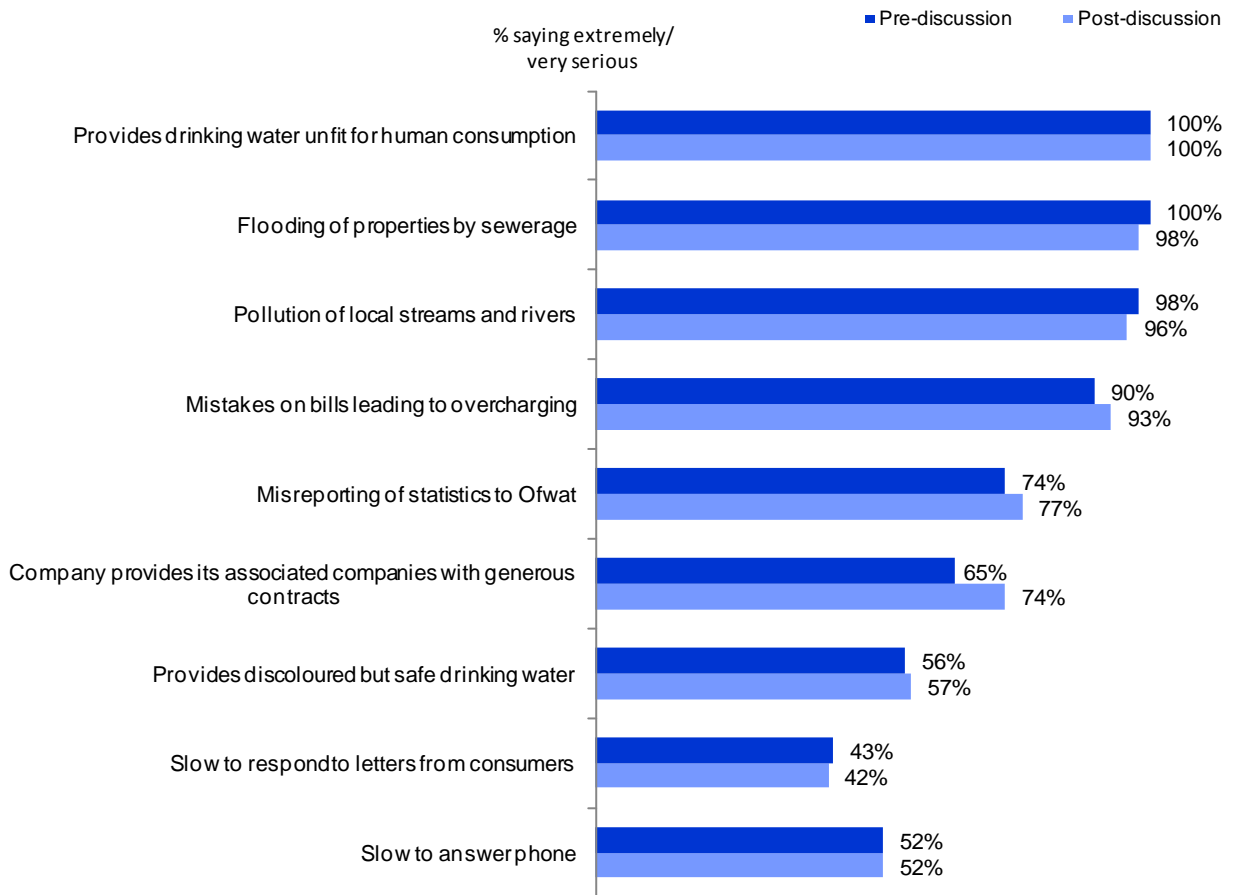
9. Changes in perceptions from pre- to post-discussion

- Following deliberations, more people felt that the matter of providing associated companies with generous contracts was serious.
- After discussions, a few participants who had initially supported fines going to the Treasury, shifted away in favour of price caps or obligations to invest.

9.1 Seriousness of Offences

- 9.1.1 Following discussion and deliberation on the current enforcement system and potential for restorative justice, participants were asked if they wanted to change their initial responses on the seriousness of the example misdemeanours and possible justice solutions.
- 9.1.2 Chart 3 shows there was little change in the overall pattern of opinion after participants had given further thought to these misdemeanours.
- 9.1.3 However having discussed the possible implications of each misdemeanour, more participants now felt that giving associated companies contracts was a serious issue.

Chart 3 – Pre- versus post-discussion analysis of seriousness of actions



Base:62

9.2 Appropriate punishments

- 9.2.1 Having considered enforcement options in more detail, most participants did not significantly alter their perceptions of justice solutions. There were some differences, however as this was a qualitative exercise it should be remembered that the overall base size for these questions was just 62. Any differences are therefore not significant but do provide an indication of how customers may alter their opinions when armed with more information.
- 9.2.2 For example, fewer were likely to say compensation was the most appropriate solution to a water company providing water unfit for human consumption. Similarly, fewer were also likely to say that pollution of rivers and streams should be dealt with by greater investment.
- 9.2.3 More felt misreporting of statistics to Ofwat should be dealt with by caps on prices or investment and fewer preferred a fine going to the Treasury than initially stated.
- 9.2.4 There was an indication that following further discussion, customers had a greater understanding of the possible impact which giving lucrative contracts to associated companies could have and this is reflected in their preferred justice scores pre and post discussion. After consideration, more took the view that companies should invest more in their networks and services while fewer stated that a fine going to the Treasury was the most suitable punishment.

Chart 4 – Pre- versus post-discussion suggested justice solutions

| Misdeemeanour | % Favouring Solution | | | | | | | |
|---|--------------------------------------|---------------------|---------------------------|------------------|-----------------|--|---|-----------|
| | Compensation direct to customers | Company must invest | Regulator provides advice | Fine to Treasury | Caps on prices | Financial help to households struggling to pay bills | Payments to charities/ community groups | No action |
| Provides drinking water unfit for human consumption | Pre: 66 Post: 58 | 50 52 | 29 27 | 15 11 | 6 8 | 6 3 | 2 2 | 0 0 |
| Provides discoloured but safe drinking water | Pre: 27 Post: 27 | 55 56 | 31 31 | 3 2 | 10 8 | 0 0 | 0 0 | 0 0 |
| Mistakes on bills leading to over-charging | Pre: 73 Post: 69 | 10 11 | 16 19 | 5 3 | 18 18 | 18 10 | 0 0 | 2 2 |
| Pollution of local streams/ rivers | Pre: 6 Post: 11 | 58 45 | 35 32 | 24 19 | 3 3 | 2 2 | 10 11 | 0 0 |
| Misreporting of statistics to Ofwat | Pre: 10 Post: 11 | 10 18 | 34 35 | 37 23 | 15 23 | 2 3 | 11 6 | 3 2 |
| Flooding of properties by sewage | Pre: 77 Post: 77 | 32 34 | 26 26 | 5 6 | 5 3 | 8 5 | 0 0 | 0 0 |
| Company provides associated companies with generous contracts | Pre: 6 Post: 8 | 3 15 | 23 24 | 24 15 | 35 32 | 5 3 | 10 8 | 8 5 |
| Slow to answer phone | Pre: 13 Post: 11 | 23 19 | 45 48 | 3 5 | 3 3 | 3 2 | 5 5 | 18 16 |
| Slow to respond to letters from customers | Pre: 16 Post: 15 | 31 29 | 42 47 | 6 8 | 3 3 | 2 2 | 5 5 | 10 8 |
| Base: 62 | Changes of 8% or more in bold | | | | | | | |

10. Conclusions

- 10.1 There is little awareness of the enforcement systems operated by the regulators of the water industry and among those who do show some awareness there is uncertainty as to whether fines are paid for from company profits or from bill increases to customers. The regulators need to make clear to media (and hence to customers) how fines will be paid.
- 10.2 Across the discussion groups it was clear that while there was some argument for fines going to the Treasury, most felt there were better and more appropriate means of using fines or other penalties.
- 10.3 Participants wanted to see real benefits for customers if a water company was identified as committing a misdemeanour:-
 - through compensation payments if customers affected could be identified; or
 - through re-investment, provided that this was being paid for through company profits rather than increased bills.
- 10.4 Price capping was also seen as potentially attractive in ensuring that companies did not repeat the transgression.
- 10.5 When discussing possible options for restorative justice there was little support for using monies generated through fines to help local charities or low income groups. It was felt that if income could be directed towards a community it should be to those areas affected by water issues or all customers.
- 10.6 Having established an understanding of customers' spontaneous and informed perceptions of restorative justice (and the minimal differences between them), CCWater may now wish to consider undertaking a quantitative phase of research to test consumer preferences and measure priorities. This qualitative study suggests quantitative respondents would be able to grasp the key issues.

APPENDICES

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CCWater Restorative Justice Survey Topic Guide

Introduction

- Housekeeping
- Individuals introduce themselves

Utilities

- Which companies are they with
- What do they know about regulators?
- Have any of these companies fallen badly short of their commitments to customers in a way that might concern the regulator
 - In what way
- What things might companies do that should concern the regulators
- What happens on these occasions?
- What should happen?
- Thinking specifically about water
 - What do they think about the service received from their water company? Did they know that customers pay the costs of regulation and enforcement via their water and sewerage charges?
- What should a regulator look at when monitoring the performance of water companies
- What problems might occur
 - Which do they regard as potentially the most serious
- What should the regulator's priorities be
- What should a regulator do to minimise the risk of a problem happening again

INTRODUCE SELF COMPLETION GRID AND ASK TO COMPLETE WITH BLUE PENS.

- BRIEFLY RUN THROUGH OPTIONS (EXPLAIN PRICE CAPPING AND GSS)
- Do people agree in principle with water companies facing penalties if they make mistakes or provide poor service?
- If not why not?
- So what did people think was the best method of applying penalties
- Does this differ according to what the transgression is? What if they had deliberately misled the regulator? Would penalties be appropriate? How should they be applied?
- What if anything have they heard about the kind of things done by water companies
- What can they remember about punishments?

- Did they feel these were appropriate? Why/why not?

SHOW SHEET WITH 6 EXAMPLES WITH WHAT THE COMPANY DID WRONG AND WHAT THE COMPANY STOOD TO GAIN

- What do people think of these examples
- How serious are the offences

SHOW SHEET WITH 6 EXAMPLES THIS TIME, WITH COMPANY NAME, WHO DISCOVERED WRONGDOING, FINE, WHERE FINE WENT AND WHAT COULD FINE BUY

- What do people feel about company failing to meeting its leakage target
 - should the company have been fined or should it have been oblige to invest
 - do the amounts seem high/low/reasonable?
- What about the United Utilities issue? Was a fine fair/appropriate? Why/Why not?
- What about issues of misreporting of customer service data and failure to make GSS payment. Was it right that the fine should go the Treasury? Why?
- What about misreporting of meter reading data? The fine appears to have been lower because the new CEO alerted Ofwat to the issue of staff deliberately misreporting? Should the fine be lower if a water company points out the issue? Should errors be treated differently from fraud? Why/why not?
- What about the idea of giving money to charitable trust?
 - fair/unfair
 - right/wrong thing to do
 - why?
- Overall did the punishment seem fair/appropriate? If not, why not?
- What options would have been better?
- Who should receive fines or benefit financially when a water company misbehaves
 - the treasury
 - customers affected
 - all customers of the company?
- What if the water company is 'not for profit' with no shareholders. This means any profit is invested to benefit customers or given back to customers via lower bills. If they are fined the money is diverted away from customers. Should they be treated the same way in principle as companies with shareholders?
- Do people have other suggestions/ideas for appropriate redress and deterrents?
- What do people think of the principle of restorative justice as a means to penalise
 - Deliberate fraud by water companies?
- What about non deliberative errors or service failure e.g. failing to meet targets?

- How should restorative justice work in practice to best serve customers
 - should penalty levels be set higher (to punish companies) or lower (to avoid the risk of making investment unattractive for companies)

SHOW SHEET OUTLINING WHAT MONEY COULD BE USED FOR

- which are the best ways of using money raised from fines on water companies?

- So how well do they feel the current system serves the interests of customers?

COMPLETE GRID AGAIN

- **THIS TIME WITH A RED PEN**

IF THEIR VIEWS HAVE CHANGED AT ALL EXPLAIN WHY IN THE SPACE AT THE BOTTOM

SUM UP AND CLOSE

Appendix B: Examples of water company misdemeanours

| Company | What the company did wrong | Who discovered the wrongdoing | What did the company stand to gain | Fine | | Where did the fine go? | What could the fine buy? * |
|------------------|--|---|--|------------|----------------|---|--|
| | | | | Total (£m) | Per h/hold (£) | | |
| Thames | Failed to meet its leakage target three years running | Ofwat identified that Thames was failing to meet its leakage targets | By not investing sufficiently it artificially boosted its profits. Ofwat obtained a legally binding agreement from Thames that it would invest £150m over a three year period in leakage control activity to meet its targets (Ofwat had powers to fine Thames £75m but took the view - supported by CCWater - that customers would rather see leakage tackled than a fine levied). | 75.00 | 9.00 | Investment to benefit consumers by reducing leakage and therefore interruptions to water supplies. | 1,000km of mains relined or replaced (£60m) and 30,000 lead communication pipes (£15m) |
| United Utilities | Unfair trading with associated companies | Ofwat identified the problem and told UU to comply. UU declined to do so. When Ofwat obtained its fining powers it used them. | By awarding contracts to associated companies without going out to tender and at above market rates, the profits of the group were inflated at the expense of customers of the water company. | 8.50 | 3.08 | HMT | 130km of mains relined or replaced (£7.8m) and 140 lead communication pipes (£0.7m) |
| Southern | Deliberate misreporting of customer service data and failure to make payments under scheme compensating customer for poor service (GSS) | In Oct 2005 new CEO discovered that customer service performance data reported to Ofwat had been deliberately overstated. | 1. No adjustment to price limits as a result of a higher position in Ofwat's comparative rankings; accurate reporting would have reduced price limits by £5.4m. 2. Retaining compensation payments for poor service that were rightfully customers. | 20.27 | 7.60 | HMT (and they also made double -£40 - payments to customers who should have received compensation) | 300km of mains relined or replaced (£18m) and 450 lead communication pipes (£2.27m) |
| Severn Trent | Deliberate misreporting of customer service data and failure to make payments under scheme compensating customer for poor service (GSS) | A company employee acted as a whistleblower and alerted both Ofwat and the <i>Mail on Sunday</i> to the company's wrongdoing | 1. Increase in price limits (worth £5m) as a result of a higher position in Ofwat's comparative rankings than was warranted. 2. Retaining compensation payments for poor service that were rightfully customers. | 35.80 | 5.40 | HMT (and they also made double -£40 - payments to customers who should have received compensation) | 550km of mains relined or replaced (£33m) and 560 lead communication pipes (£2.80m) |
| Three Valleys | Misreporting of meter reading data to Ofwat | Company's new CEO identified and reported the errors to Ofwat | Improved the company's position in Ofwat's comparative rankings - minimal impact on customer bills. | 2.50 | 2.10 | Company to pay £1/2 m for each of next 5 years in to a charitable trust to help low income customers. | 40km of mains relined or replaced (£2.40m) and 20 lead communication pipes (£0.1m) |
| Tendring Hundred | Accounting errors in its annual returns to Ofwat | Company identified and reported the errors to Ofwat | All customers were overcharged by a total of £14 over a two year period. Unmeasured customers were then overcharged by a further £15 and metered customers undercharged by the same amount over the same two year period. The error was rectified by the company. | 0.042 | 0.63 | HMT | 84 lead communication pipes replaced (£0.042m) |

| Fines | How does this benefit water customers |
|--|--|
| Fine(s) paid in to HM Treasury's Consolidated Fund | Not directly. Fine money will be used by Government for whatever purpose it considers appropriate, eg for NHS, Education, Olympics, Police, Defence etc. |
| | The money would not necessarily benefit the customers of the company fined, eg Severn Trent's fine might have been used to fund widening of the M25. But there would be no way to tell if this was the case as Treasury does not maintain data in this format. |

| Restorative Justice | How does this benefit water customers |
|---|---|
| Payments made by companies could be used in a variety of ways: | |
| 1. Repairing water mains | Reduced leakage levels, supply interruptions or discoloured water leads to an improved service. |
| 2. Repairing sewers | Reduced discharges from sewers leads to less flooding of properties or external areas. |
| 3. Funding local environmental charities | Improvement of the local environment to the benefit of all |
| 4. Providing assistance to those struggling to meet their water bills | Helping low income households to keep to payment plans reduces the debt owed to companies and the cost to all customers (currently £11 of the average bill relates to debt recovery costs). |
| 5. Providing water efficiency items, eg dual flush toilets, power showers, to low income, high use households | Helping low income households reduce their water consumption to make their bills more affordable and more likely to be paid. |
| 6. Providing water free of charge in public places | Water dispensers at railway/underground stations, in parks, shopping centres could help improve the general health of all through better hydration. |
| 7. Rebates on water and/or sewerage bills | Small(ish) reduction in everyone's bills |