

I suggest that the first item on the agenda for the examination of this proposal should be an assessment of the parent company behind the applicant. My understanding is that this is the same company that bought Thames Water in 2006, stripped the utility its profits and took out loans against its assets, so as to pay high dividends to its shareholders. I refer to an article in the Guardian which I have uploaded. I ask the Examining Board, is this the sort of company that the UK government should entrust to manage the project that is now being proposed? If the conclusion is no then significant time and taxpayers' money can be saved by rejecting the proposal immediately. Thank you.



This article is more than 3 years old

Explainer

In charts: how privatisation drained Thames Water's coffers

Decades of underinvestment and bumper dividends have left the firm debt-laden and under investigation



Thames Water's debt now amounts to £14.3bn. Photograph: [redacted]

In a little over three decades, Thames Water, the biggest water and sewerage company in England, serving 15 million people, has transformed from a debt-free public utility into what critics argue is a privately owned investment vehicle carrying the highest debt in the industry.

Over those years - as admitted by [redacted] the firm's departing CEO - its executives and the shareholders and private equity companies who own it have presided over decades of underinvestment, aggressive cost-cutting and huge dividend payments.

The symptom of these decades can be seen in the scale of sewage discharges, the record leaks from its pipes and the state of its treatment plants - which are now at the centre of a criminal investigation by the Environment Agency into illegal sewage dumping and a regulatory inquiry by Ofwat.

Analysis of the accounts of Thames Water between 1990 and 2022 reveal a story that is echoed to some degree across the industry. The figures show how privatisation - which was intended to lead to a new era of investment, improved water quality and low bills - turned water into a cash cow for investment firms and private equity companies, none more so than the Australian infrastructure asset management firm Macquarie which, with its co-investors, bought Thames Water in 2006 from the German utility firm RWE for £4.8bn.

Growth in Thames Water debt over last 30 years

Thames Water net debt by year

£15bn



Most viewed

The Great ADHD Myth? review - the most controversial show of the year is here

Burnham launches 'national drive' to get rough sleepers off streets by Christmas

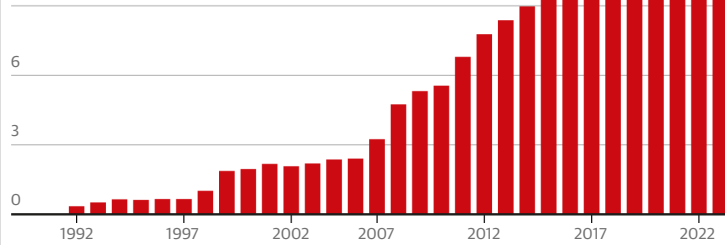
Swedish MP intervenes in 'damaging' Brexit row over elderly Britons ordered to leave

Little Bird review - no wonder this masterly drama has already cleaned up

Fri 30 Jun 2023 06.00 BST

Share

Prefer the Guardian on Google



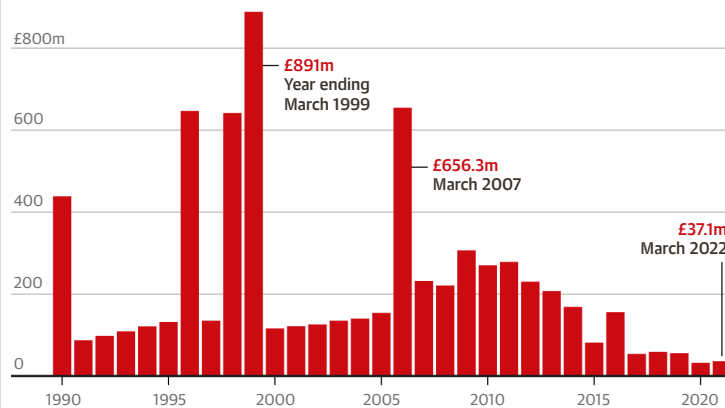
Guardian graphic. Source: Thames Water Utilities Limited, net debt by year, company reports 1992-Sept 2022.
Note: accounting period not the same for each year

By the time Macquarie sold its stake in Thames Water in 2017, debts had more than tripled from £3.2bn to £10.5bn, unadjusted for inflation. Its pattern was to borrow against its assets to increase dividend payments to shareholders.

By 2017, when Macquarie sold its last stake, the pattern of debt remained, and the rate of accruing debt continued on the same trajectory.

Thames Water dividend payments total £7.2bn over 32 years

Dividends



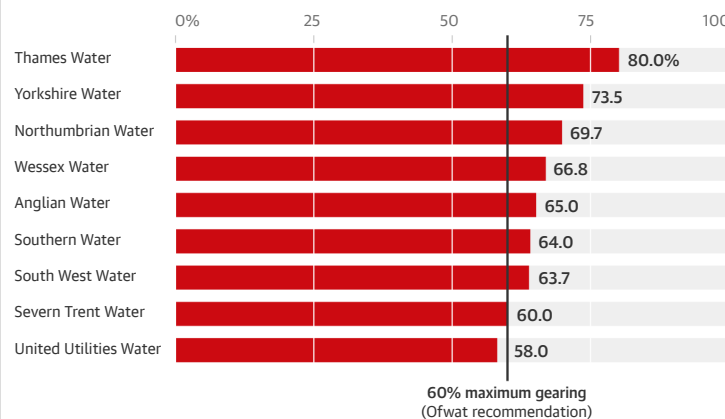
Guardian graphic. Source: Thames Water Utilities Limited, dividend payouts by year, company reports 1990-Apr 2022. Actual numbers, not adjusted for inflation. Note: Accounting period not the same for every year

Macquarie and its co-investors made their position clear from the start, hiking dividends in the first year of their operations, 2007, to £656m when profits were a fraction of that at £241m.

Over their 11 years of control, Macquarie and its co-investors paid out £2.8bn to shareholders, which is two-fifths of the total £7bn in dividends that Thames Water has paid between 1990 and 2022. The average yearly dividends paid during the Macquarie period were five times higher than those paid after it sold its final stake in 2017. The consortium that took over ownership of Thames Water in 2017 has not taken a dividend since, but the company has paid internal dividends - including £37m in the year to 31 March 2022.

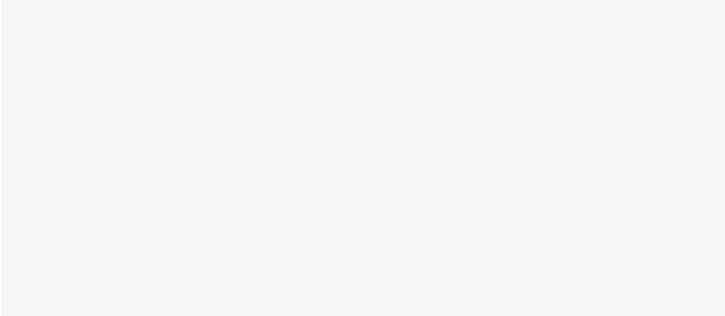
Thames Water is one of the most highly indebted English water companies, according to Ofwat's 'gearing' measure

Gearing is a measure of how much debt the water company has relative to its size



Guardian graphic. Source: Latest available company reports: Mar 2023 for Severn Trent and United Utilities, Sept 2022 for Thames, Wessex and Yorkshire, the rest from Mar 2022

Ofwat recommends that companies maintain a ratio of debt to capital value of 60%. But Thames Water's debt now amounts to £14.3bn - almost a quarter of the total £60bn debt run up by the privatised water companies in just over three decades.



This weight of debt is at one of the highest levels in the industry, with Thames Water’s gearing at 80%. More than half of this debt is inflation-linked, leaving Thames facing hikes on its debt repayment, even as it is being told to invest billions more fixing the infrastructure which has been left to crumble.

● This article was amended on 1 July 2023 to temporarily remove the graphic on “gearing” pending a review of the figure shown for Severn Trent. A previous version mistakenly said Severn Trent’s gearing was 83.7% at March 2022, when the correct figure was 59.2%. However, the revised graphic, published on 3 July, now uses the latest figures for each company - based on their own financial reports - rather than March 2022 data. Figures for several of the water companies have been amended as a result, and the graphic’s source information has been updated accordingly.

Explore more on these topics

- Utilities
- London
- Water
- Venture capital
- explainers

 Share

Reuse this content

Most viewed	1	6	
	2	7	

	3	8
	4	9
	5	10

News

Opinion

Sport

Culture

Lifestyle

Original reporting and incisive analysis, direct from the Guardian every morning

Sign up for our email →

- About us

Help

Complaints & corrections

Contact us

Tip us off

SecureDrop

Privacy policy

Cookie policy

Modern Slavery Act

Tax strategy

Terms & conditions
- All topics

All writers

Newsletters

Digital newspaper archive

Bluesky

Facebook

Instagram

LinkedIn

Threads

TikTok

YouTube
- Advertise with us

Guardian Labs

Search jobs

Patrons

Work with us

Accessibility settings