



Glas Cymru Cyfyngedig

Press Release

10 November 2000

GLAS WELCOMES OFWAT CONSULTATION PAPER REGARDING WELSH WATER

The Board of Glas Cymru Cyfyngedig ("Glas") welcomes the issue today of Ofwat's consultation paper inviting views on the issues raised by Glas's proposed acquisition of Welsh Water.

In the statement issued today, Philip Fletcher, Director General of Ofwat, expressed the preliminary view that the Glas ownership model does not, on balance, give rise to any insurmountable issues, provided that the licence modifications can be fully implemented and the appropriate investment-grade rating secured. Glas is confident that it can achieve these requirements.

The board of Glas are highly confident that its plans are in the best interests of Welsh Water, its customers and the environment of Wales. In particular, Glas's plans will:

- offer the prospect of lower bills for Welsh Water customers. The Board of Glas believes its offer will allow Welsh Water to reduce customer water bills before the next regulatory price review in 2005;
- ensure that Welsh Water retains overall responsibility for providing safe drinking water and protecting the environment;
- secure continued investment in the water industry and environment in Wales;
- create a stable, long term ownership structure for Welsh Water, ensuring that customers' interests are fully recognised;
- ensure that ownership and control of Welsh Water remains in Wales; and
- focus the management of Welsh Water exclusively on, incentivise them to deliver and hold them directly accountable for, the efficient provision of high quality services to Welsh Water customers at the lowest available cost.

Glas agrees with Ofwat that it is important to ensure that management are incentivised to generate efficiency savings, leading to lower customer water bills, and that Glas is financially robust, with sufficient reserves to continue to finance itself should unexpected adverse events occur. Glas is confident that it will be able to demonstrate to Ofwat, the National Assembly, the rating agencies and investors that its proposals address these important issues.

Chris Jones, finance director of Glas, said today:

"Glas welcomes the issue of Ofwat's consultation paper and the preliminary views of the Director General expressed in it. Our plans have received very widespread support and we are confident that they will be in the best interests of Welsh Water, its customers and the environment of Wales."

Over the coming weeks Glas will consult widely on its plans to ensure that all who rely on or have an interest in Welsh Water – and most importantly the customers – are content with its plans. Glas will also respond formally to the Ofwat consultation paper in advance of the 18 December 2000 deadline.

Further information on Glas and its plans for Welsh Water is available at www.glascymru.com.

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Notes for editors

1. Following Glas's announcement on 3 November 2000 that it had reached agreement on terms for Glas to acquire Welsh Water from WPD, the Chairman of Glas, Lord Burns, wrote open letters to the Director General of Ofwat and to the First Minister of the National Assembly explaining why the board of Glas believes that its plans are in the best interests of Welsh Water, its customers and the environment of Wales. Copies of these open letters, together with other information regarding Glas's plans for Welsh Water is available at www.glascymru.com.
2. In June this year Ofwat consulted on possible new ownership structures in the water industry. Following the Kelda proposals, Ofwat set out on 25 July specific regulatory requirements that would have to be met to secure regulatory approval. The Board of Glas is confident it can meet these requirements:
 - Glas is not a "mutual" and its offer will not involve any transfer of ownership or liabilities to Welsh Water's customers;
 - the Board of Glas is independent of Hyder plc and WPD;
 - Glas will operate under strong commercial incentives to deliver low cost water and sewerage services to Welsh Water's customers;
 - Glas will implement a procurement plan which will ensure that Welsh Water secures the full benefits of competitive prices and best practice;
 - the Board of Glas plans customer bill rebates prior to the next regulatory price review in 2005 and as such Glas's acquisition of Welsh Water will deliver tangible benefits for Welsh Water's customers; and
 - Glas will consult widely to ensure that customers and others who have an interest in Welsh Water, including the National Assembly, are content with Glas's plans for Welsh Water.

In addition, Glas will agree with Ofwat to a number of changes to Welsh Water's licence which will reinforce the independence and "ring fencing" of Welsh Water, and which will require Welsh Water to carry out its functions in an open and accountable manner, to procure services efficiently and competitively, and to maintain an investment grade rating so that Welsh Water can continue to raise new capital from investors to fund its ongoing investment programme.

3. In their joint statement on 24 May, the Environment, Planning and Transport Committee and the Economic Development Committee of the National Assembly proposed a number of principles which they concluded were relevant to any change in ownership of Hyder plc. The Board of Glas is confident it can meet these objectives and has included with its open letter to the First Minister, published today, a short memorandum confirming Glas's commitment to these principles.