



Glas Cymru Cyfyngedig

Press Release

31 January 2001 (2 pages)

Glas Cymru Welcomes OFWAT Statement

Welcoming OFWAT's statement today, Lord Burns, Chairman of Glas Cymru, commented:

"We are pleased that the Director General has given us the go ahead to proceed. This clears the way for an end to the uncertainty that has surrounded Welsh Water for more than a year. We can now concentrate on the business of implementing our proposals.

"Our plans have been subject to detailed public scrutiny, and we have been encouraged by the support we have secured for our proposals, particularly from the National Assembly for Wales. This is the best way forward for Welsh Water, its customers and the environment of Wales. We are confident we can sign up to the Director General's conditions, including the promise of lower bills for Welsh Water customers. In large part these conditions confirm the commitments we made when we first published our plans.

"Detailed discussions are continuing with the Rating Agencies. We anticipate they will be in a position shortly to publish their preliminary ratings for Glas Cymru and the new bonds to be issued by Welsh Water. Discussions with financial institutions to date have been encouraging and we are confident that we will secure the investment grade rating and the investor support which our plans require."

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

ENDS

Contacts

Glas

Lord Burns / Nigel Annett	020 7861 3100
Geraint Talfan Davies	029 2031 6666
Chris Jones	029 2031 6666

Keith McDowall Associates

David Hill / James O'Keefe	020 7861 3100
----------------------------	---------------

Strategy Wales

Huw Roberts	029 20 316666
-------------	---------------

Notes for editors

On 3 November 2000 Glas Cymru announced that it had reached agreement with Western Power Distribution ("WPD") on terms for Glas Cymru to acquire Welsh Water from WPD. The agreement valued Welsh Water at approximately £1.8 billion. Welsh Water is the regulated water and sewerage business serving much of Wales and some adjoining areas in England, which WPD acquired following the take-over of Hyder plc in September 2000.

Glas Cymru is a new and independent company, registered and based in Wales, which was formed last year for the sole purpose of acquiring and owning Welsh Water.

Glas Cymru's plans will re-establish Welsh Water's credentials as a provider of a low risk and essential public service. By doing so, Glas Cymru will reduce Welsh Water's cost of capital and will use the savings made to improve services and cut customer bills. The cost of capital is Welsh Water's single biggest cost and accounts for nearly a third of customers' bills.

In summary, Glas Cymru's plans will:

- offer the prospect of lower bills for Welsh Water customers. The Board of Glas Cymru believes its proposals will allow Welsh Water to reduce customer 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 remain in Wales; and
- focus the management of Welsh Water exclusively on, and hold them directly accountable for, the efficient provision of high quality services to Welsh Water customers at the lowest available cost.

Glas Cymru is a company limited by guarantee and is owned and controlled by members who do not receive dividends or have any other financial interest in the company. Under Glas Cymru's constitution, all financial surpluses will be used for the benefit of Welsh Water, its customers and the environment. Its constitution also limits Glas Cymru's business to the provision of water and sewerage services in Welsh Water's area of appointment. The company cannot diversify into other activities.

The Board of Glas Cymru comprises Lord Burns (Chairman), Alison Carnwath, Geraint Talfan Davies, Chris Jones and Nigel Annett. Further non-executive directors are expected to be announced shortly, and Mike Brooker, currently Managing Director of Welsh Water, will join the board of Glas on completion of the transaction.