



Innovation and resilience

Speech by Pamela Taylor, Chief Executive, Water UK, 16 June 2015

Good morning, and once again I am delighted to welcome you to Water UK's annual Innovation Hub. It hardly seems possible, but this is actually our sixth hub and we have all come a long way since the first. Our previous Innovation Hubs have been challenging and stimulating and have generated plenty of thought, and activity with customers – and our relationship with them – always uppermost in our minds.

Let me start by thanking Water UK's partners – Accenture, Deloitte, IBM and MWH. Their support enables us to run not-for-profit events such as this. They are well represented here today, so do please make sure you meet and talk with them during the day. We also have with us today the journalist Karma Ockenden, who is the editor of The Water Report.

IBM deserve a special thank you for once again hosting us here today. Thank you.

Strong relationships are essential for effective partnerships because they lie at the heart of being successful and innovative. They can drive the cultural change and create the climate for inspirational and creative thinking. They bring fresh and new ideas and approaches to old problems, and they challenge the status quo. Much has changed for the better since privatisation – but we all recognise we still have a way to go.

Today's agenda and our range of speakers will give us all the opportunity to reflect on the breadth of issues we face – and discuss how we might tackle them afresh now and in the future. To help guide us through the day, we have three different session chairs who will pass the baton seamlessly from one to another. I am very grateful to Peter Simpson, Richard Flint and Chris Loughlin for agreeing to lead us through this full and busy programme.

But what do we mean by “resilience and innovation”, for an industry that still benefits from the creative work of the Victorian era? I am going to quite specific here – if a bit pedantic!

Resilience is the capacity to recover quickly from difficulties; toughness. We often hear about the remarkable “resilience” of so many British institutions. I include our water industry in that description!

Innovation can be defined as the process of translating an idea or invention into a product or service that creates value – or for which customers will pay.

If an “idea” is to become an “innovation”, it must be possible to turn it into a practical reality – and reproduce it – at a realistic and economical cost, and it must meet a specific need.

It involves the deliberate application of information, imagination and initiative in deriving greater – or different – values from resources, and includes all processes by which new ideas are generated and converted into useful products. In business, innovation often results when creative ideas are implemented by the company in order to satisfy further the needs and expectations of the customers.

Innovation can be evolutionary – through many incremental advances in technology or processes – or revolutionary – which is often disruptive and brand new. Either way, innovation demands not accepting the status quo, taking risks, thinking outside the box and challenging the usual behaviours and practices – all mixed with oodles of creativity.

I am not sure what, of all this, would apply, more than 150 years on, to the inspiration and ingenuity of Sir Joseph Bazalgette, which still sustains many parts of our national water infrastructure.

In the water industry we have a good record of listening to our customers and responding to their expectations. But innovation is much more than competition and thinking about our spare capacity.

As a responsible industry, we know – and accept – that one size does not fit all. And when we focus on high-level outcomes, we can clearly recognise the power within our partnerships which adds up to much more than the sum of our parts.

For example, I am happy to say that water companies are already working with many partners to produce a radical new approach to drainage that will be fit for purpose for the rest of this – if not the next – century. More on that later.

If we look at resilience today – from a customer perspective – their shopping list would probably include:

- High quality water they trust whenever the tap is turned on.
- An efficient infrastructure to take dirty water away.
- Perfect beaches and safe bathing water.
- No flooding, and....
- All of that at a competitive price.

The water industry is already doing much if not all of this, but how much are our customers really able – and willing – to pay to maintain these high standards?

Looking ahead, there are many factors which will influence both customers and the industry:

- We have a regulator that sets the price on their behalf...
- We have a government that sets the legislative framework...
- We have investors and money markets which set the economic climate...
- And we have the sector itself.

And if that is not enough, we all face the external pressures brought by changes:

- Changes in demographics
- In affordability
- In climate change.

Let alone the tight, austere financial climate in which we continue to operate where more for less is the new normal! With such a list it would be easy – and tempting – to sit back and let others take the lead. But that is not the style or approach of the water sector.

We will continue to be both innovative and resilient, and because we have taken this approach in partnership, working together over many years, we are now in a position to face with confidence a future that would otherwise have been daunting.

So touching on demographics, affordability and climate change, what do we see?

The population of the UK is forecast to reach 70 million by the late 2020s, and it won't stop there. And those extra people will, of course, expect reliable water and sewerage services. This population growth will not be spread evenly. The most growth will be precisely where there is least water, in the south and east. And if you add in the impact of more single person households, using more water for each person, it becomes clear that just to keep on delivering the same level of service, the sector will need much innovation.

And affordability. Average water bills are not difficult for most of us. But for many customers, managing their household bills, including water, is a real struggle.

We provide an essential public service which is vital for public health – and we are proud that ability to pay does not determine whether or not people have access to water and sanitation. And despite rapidly growing populations in some areas, improved demand management and leakage reduction has ensured that today there is still water for everyone.

But if we are to continue providing an efficient service, and one that is seen as legitimate, we must constantly seek new ways to help customers who need assistance. And to make sure that those who can afford to pay do pay.

Then climate change. Water companies are already aware of the many challenges posed by climate change.

Water resource management plans look forward 25 years and beyond, to ensure that companies are planning for climatic, economic and demographic changes that may happen in their area. The trick is to see into the future, because past data won't cut it.

Catchment management is a good example of where an innovative method of using nature as a natural reservoir and water treatment plant has brought a host of other benefits.

Slowing down the water on uplands, by reversing the damage caused by people before us, keeps the rich peat where it belongs – on the uplands, rather than heavy rain taking the soil with it to clog up water courses and exacerbate flooding downstream.

So the water sector has already achieved a great deal. The fact that there are so many of us here today signals that we intend to remain in the driving seat, working, as always, in partnership – and with our regulators.

It is possible that the framework in which we operate is itself holding us back and inhibiting innovation. You will have the opportunity today to identify and discuss any blockages and we will hear from speakers who can help point the way ahead.

At Water UK we bring people together to create better policies for the future of water. We are not your normal trade association. We thrive on innovation in the way we work together – the way in which we engage with our stakeholders. None of us can stand still if we are to meet the challenges the future holds for us.

Today's event is another step in our strategy to help build a stronger, more effective and dynamic water industry that ticks all of the boxes – for customers, government, companies, their owners, investors and, indeed, our regulators.