



HOUSE OF COMMONS

LONDON SW1A 0AA

Regina Finn  
Chief Executive  
Ofwat  
Centre City Tower  
7 Hill Street  
Birmingham  
B5 4UA

15<sup>th</sup> August 2013

Dear Ms Finn,

**Re: Thames Water price increases**

Thank you for your letter of 12<sup>th</sup> August 2013 about Thames Water's latest application to increase water bills.

As a Member of Parliament I am acutely aware that many of my constituents are facing real pressure from rising costs of living following weak wage growth and an uncertain employment market in recent years. In view of the difficulties facing so many people, I am deeply concerned by Thames Water's latest proposal to increase water bills. This is not the first time that the company has raised prices in the last few years – as you admit in your letter, Ofwat allowed the company to raise prices by an average of 3% above inflation in the period 2010-2015. In view of the massive costs of the Thames Tideway Tunnel project, the new application to add a further 8% to household bills will almost certainly not be the last.

In particular, I consider it deeply unfair that customers in Reading and other areas outside of London are being hit with above-inflation increases to their water bills to pay for a project that will deliver little, if any, benefit to them. The benefits of the Thames Tideway Tunnel project will be exclusively focussed on customers in London. I am aware that previous Thames Water investments have at times cost several millions of pounds to improve pieces of infrastructure serving a particular locality, having been funded by water bill revenue from across the entire catchment area. However, previous examples are on a far smaller scale than the Thames Tideway Tunnel, and in my opinion do not bear comparison to the material impact this project will have on customers' annual bills now and in years to come.

I am therefore writing to you to ask Ofwat to explore a more equitable distribution of the costs of the Thames Tideway Tunnel project between those customers living in London and those outside the London area. If London customers were to pay an additional surcharge in reflection of the benefits that they will receive from the project, this would enable bills to be held down in areas which will receive no benefit from the project, including constituencies such as mine. Londoners have already been subject to a council tax levy to reflect the infrastructure benefits that were delivered to the city by the 2012 Olympic Games, and I



believe there is scope for a similar arrangement in respect of the Thames Tideway Tunnel project.

I also expect Ofwat to take real action to defend customers from Thames Water's proposal for an above-inflation increase in bills. This was a company that made an underlying profit £549 million on revenues of £1.8 billion last year, meaning that 30% of its income was profit. The company paid no corporation tax to the Exchequer on these profits. Its Chief Executive was awarded a bonus and incentives of £640,000. In view of such circumstances, I believe that Ofwat should demand very strong justifications from Thames Water for any above-inflation increase in prices and as to why the company should not be expected to absorb rising costs. I shall be taking a close interest into how Ofwat handles this matter.

I am placing this letter in the public domain.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Rob Wilson', with a horizontal line underneath.

**Rob Wilson MP**  
Member of Parliament for Reading East