



Assurance research

Report prepared for:

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About this document...

This report details the key themes to emerge from three focus groups with Severn Trent and Hafren Dyfrdwy customers.



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Background

Every year Severn Trent (ST) /Hafren Dyfrdwy (HD) publishes a Statement of Risks, Strengths and Weaknesses and an Assurance Plan. This explains where they might face risks and how they are targeting them with assurance.

Research is required to understand what information customers would need to feel assured along with exploring their views on executive pay and dividends.

DJS Research were commissioned to conduct three focus groups, two were in the HD area:

- Wrexham
- Welshpool

One focus group was held in the Severn Trent region:

Chester

This research will seek to answer the following research objectives:

1

Understand what
customers would like
ST/HD to focus on most
and would make them
trust ST/HD to ensure
they are focusing on
the right things and
making sufficient
progress

2

Understand what customers would like ST/HD to do assurance on and report on this year

4

Explore views on a summary of the assurance plan & executive pay & dividends

Wales ONLY:

discover the pros and cons of Dwr Cymru Welsh Water being not-for-profit vs having the lowest bills with Hafren Dyfrdwy





Topic guide developed by DJS Research in partnership with ST/HD

Quotas agreed with ST/HD, to ensure a mix of customers were included

Carried out in:

Wrexham (HD customers), Welshpool (HD customers), Chester (ST customers)

focus groups Lasted 1.5 hours each Fieldwork carried out October 2018.





Respondent profile



Fieldwork took place in October and November 2018

		Total	Welshpool	Wrexham	Chester		
Gender	Male	8	2	3	3		
	Female	15	4	5	6		
Age	20-45 years old	14	4	4	6		
	46-70 years old	9	2	4	3		
SEG	АВ	7	1	2	4		
	C1C2	15	5	5	5		
	DE	1	0	1	0		
Meter	Metered	15	4	7	4		
	Unmetered	8	2	1	5		

TOTAL

23





All customers are aware of the change in supplier/company albeit not necessarily the specifics of the licence change.



Aware of the name change

All customers bar one or two are aware of the name change and were informed by letter

Most have had few dealings with them

Very few people have had any contact with ST or HD since the licence change. ST customers in particular felt there was little communication prior to the switch

Lack of awareness around 'why' the name change has happened

This meant customers feel distanced from the company and they struggled to give their views on certain topics throughout the discussion

"But why did they change? Because we were never told by Dee Valley. That they were going to be taken over, they didn't tell us, it was just the case of a letter coming through, that Severn Trent had taken over, so what had happened exactly?"

ST customer,

Chester

More visible

HD customers would like the company to be more visible than they are at the moment

"If you heard from your water company in your area that they've been in this week, do you know what I mean? That would kind of help I guess because you'd be aware of what they were doing."

HD customer, Wrexham



Experiences of being a customer



Whilst the majority have had very little to do with HD, those that have had contact with HD have mixed views to share.

Customers in Wrexham highlighted positive experiences of contact with HD:

- One respondent mentioned phoning them to let them know she had bought the property and was renting but nobody was living in it.
- Another respondent got a new login for their online account.

"Yeah that's what I thought which is why I rang them but she was like well you just need to let us know when there is people living in the property so she was quite helpful but I'm just waiting to see what happens."

HD customer, Wrexham

However in Welshpool three* respondents mentioned negative experiences since the changeover:

- One respondent was yet to receive a bill, she rang HD who told her they couldn't find her on the system. After setting her up they said a bill would follow, which she still hasn't received.
- One customer is being chased for a bill they've already paid.
- One customer was waiting for correspondence around her water meter.

"I phoned them up, and they couldn't find me in the system. They were going to ring me back I didn't hear off them so I rung them back, and was hanging on for ages on the phone. They found me, set up an account for me and were going to send me a letter but I've not heard anything of them.

That was a couple of months ago." **HD customer, Welshpool**

^{*}Two of these three customers have given their permission for HD to contact them to explore these issues further. These details have been placed on the DJS secure FTP.



Experiences of being a customer

SEVERN TRENT

Those that had been in contact with ST since the licence change had not been very pleased with the service they received compared to the service they received from Dee Valley Water.

Customers tended to draw comparisons with Dee Valley Water and felt it was easier to get in touch with them than Severn Trent

"Say for instance, the water was going to be turned off, they'd always phone up, or even leave a text to say they were turning the water off for you, so you knew. They were a very good company like that. Could rely on them. Definitely."

ST customer, Chester

"Yes, definitely. Cause we had blocked drains, and they came out and they sorted the problem. They were very reliable. Be we supposedly haven't had a chance with Severn Trent."

ST customer, Chester

A couple of customers contacted ST after being unhappy with their bill since the licence change:

 One customer struggled to get through to somebody to speak to

"I got in touch with them and it took ages.
The phone was ringing and ringing and it took a long time for somebody to answer. It took me about three days actually to get through to actually speak to somebody..."

ST Customer, Chester





Good customer experiences based on trust

Customers tended to name well-known, established companies as their most trusted.

Trustworthy companies include...











In order for a company to be considered trustworthy, customers said it needed to be easily contactable, solve problems in a quick and easy manner and offer helpful customer service. Taken together, these factors lead people to 'spread the word' about their positive experiences, which in itself leads to heightened perceptions of trust.

"I'd say the customer service, over the telephone and in person."

ST customer, Chester

"I think the things that I trust more are the things that I've bought and therefore I've had experience with so I can say yeah I bought that I paid that amount of money, it worked, it lasted, so I'm happy, I trust the company"

HD customer, Wrexham

"I think maintaining trust is a lot of word of mouth" **HD customer, Welshpool**



Initial trust in the water company



This tended to range greatly from not applicable to 9 out of 10, with most explaining that they have had minimal contact with HD to date, meaning it is too early to tell how trustworthy they are.

"It's so early. Four months, we've been with them? So it's a bit hard to assess whether you can trust them or not if

you've had no dealings with them." **HD customers, Welshpool**

Trust in HD tended to vary, some felt they couldn't give a trust score due to having had minimal contact with the water company.

While some, gave relatively high scores 7+ for the same reason, they have had little contact with them and this was seen as a positive as there must have been no problems!

Some customers admitted they automatically trust them because they feel water is a necessity and they're the only company that can deliver water to their taps.

"I think because they're in such a position where the water is so important, obviously you need it to be hygienic, everything else, I expect to automatically just trust them. They have to be trusted, it's like your doctor or your dentist you just trust them until something goes wrong with the service."

HD customer, Wrexham

"Well I put 8, because as I say we haven't been with them long enough to find out what's going on and I've not had any problems."

HD customer, Welshpool



Initial trust in the water company



Trust in ST tended to range from 5 to 10, they felt that ST have yet to prove themselves.

Similar to HD customers, ST customers struggled to give a score for trust, they felt much more wedded to Dee Valley Water and know little about why ST bought Dee Valley Water.

If they knew more about ST or had been with them a little longer they would feel more confident giving a score and therefore trusting ST.

 $\mbox{``I said five, more on the basis that I don't know who the company is.''}$

ST customer, Chester

"Because we don't really know them just yet. We haven't given them a chance to get to know them."

ST customer, Chester

"Well, the proof is in when they do it [be seen to be visible, maintaining pipes], isn't it?"

ST customer, Chester

"I suppose you come back to the transparency thing, because if you send everyone like a newsletter about who they are we might feel like we know them more."

ST customer, Chester



Trust: making the right decisions

We asked customers to think about what would make them trust ST and HD, particularly in terms of reinvestment. Customers tended to assume the water companies were already re-investing in areas that needed to be improved.

- Q) If ST / HD made a saving on a particular investment scheme in their business plan, would you trust them to make the right decision on how this should be re-invested? (for example reinvesting in other areas of the business which require improvement)?
- Q) If no, why not? What would make them trust ST/HD that they are reinvesting in worthwhile things?

Customers tended to be less interested in knowing about how companies were re-investing and just assumed they would be making the right decisions.

Being more visible and explaining what they are doing and how they are performing makes customers more likely to trust them

"If you can't see them, then you can't see if they're doing what they say, can you?" ST customer, Chester

"I just assume that they were doing it [re-investing in areas of the business that need improvement]. I trust them until something goes wrong with that service."

HD customer, Wrexham

"Newsletters or something...They're just in the background at the minute aren't they?" **HD** customer, Wrexham



The majority of customers admitted to 'automatically' trusting their water company

The reasons for this were threefold:

- They feel they have no choice but to trust their water company as there is no other option
 - Water is a necessity
- And as a result they assumed there was a regulatory body monitoring all water companies performance (some had awareness of Ofwat)

"I don't know if this is going to sound ridiculous, I just assumed that there was some sort of governing body that looks after our water and says there's got to be so much levels of this."

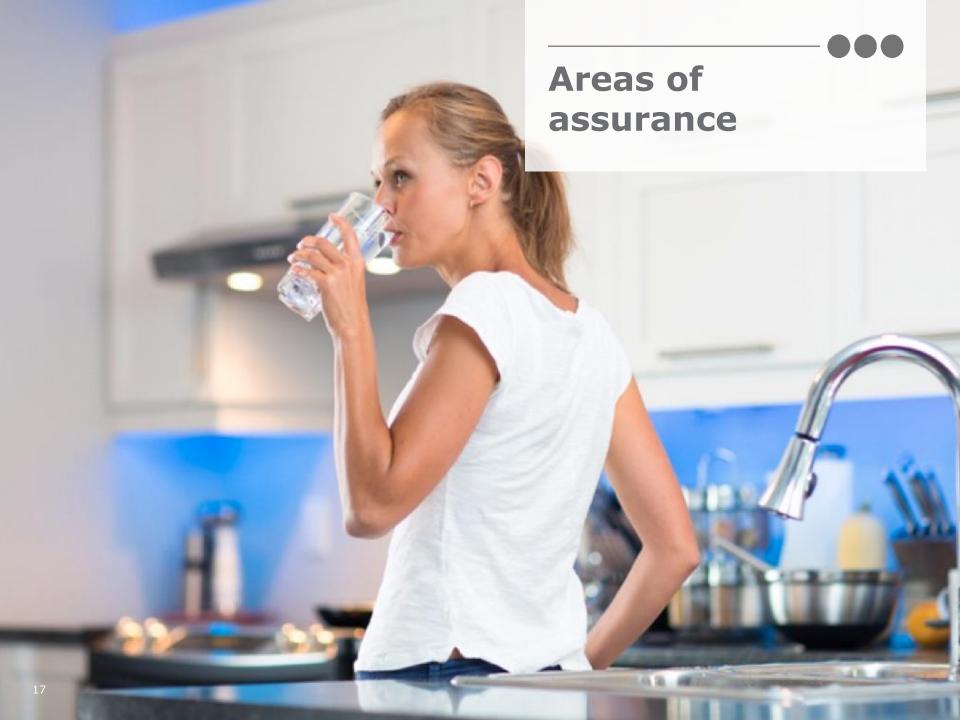
HD customer, Wrexham

"I trust Ofwat to do what they are meant to be doing to make sure that Hafren do what they are being told to do."

HD customer, Welshpool

"Well, maintain the trust. Because we always trusted Dee Valley, so we need to maintain that trust."

ST customer, Chester





Assurance exercise: importance

Respondents were told the following in order to start this part of the discussion:

All water companies in England and Wales are regulated by the Water Services Regulation Authority, known as Ofwat.

ST/HD has a duty to ensure that all of its various stakeholders can have confidence and trust in the information that it publishes about their business.

Every year, ST/HD publishes information covering a wide range of areas including annual reporting, how much customers will be charged in their bills and their performance against certain targets, like the number of pollution incidents or the amount of water that is leaked across the water network.

As part of this process, "assurance" is undertaken to ensure that all of the information ST/HD publishes can be relied upon. Assurance can take many forms including getting members of senior management to sign off information before it is published, through to getting external companies to come in and check, challenge and review the information before it is published.

Ofwat then assesses every water company's assurance plans and the level of trust they have in the information that has been provided.

All of this is designed to provide a level of trust in ST/HD that customers, such as yourselves, can have confidence in.

Customers across the UK can also see how well or badly their water company is performing (on things like leakage, customer satisfaction and average bills) compared to other water companies, on the impartial 'Discover Water' website.

Respondents were then able to look at each area of assurance and order them in terms of which they felt was the most important area of assurance down to the least. This exercise was then repeated according to which area would engender the most amount of trust in ST/HD.

Areas of assurance: importance

Customers expect the water company to be carrying out assurance but admit they don't know what this should actually entail. When prompted, customers tended to think about their bills and making sure they are supplied clean, safe drinking water.



2 AREA OF ASSURANCE
Performance
commitments

3 Cost allocation

4 Water Resources
Management Plan

Future business plan for 2020-2025

AREA OF ASSURANCE
Annual
performance
report

AREA OF ASSURANCE
Annual report
to CC Water



Customers like the idea of knowing what they are being charged for and what they are committed to doing. The performance commitments are seen to be more immediate than future planning



Customers were quick to point out that they wanted to know they are being charged a fair price and that if this is being overseen by Ofwat, it provides them with even greater reassurance that this will be the case.



THOUGHTS...

Whilst certainly high in importance, this area of assurance prompted mixed views from customers. Some felt that whilst it was important it should be happening anyway.

Customers are interested to know what would happen if performance commitments were not met, with a number of respondents questioning what the impact would be.



Customers like the idea of knowing what they are being charged for and what they are committed to doing. The performance commitments are seen to be more immediate than future planning



2 AREA OF ASSURANCE
Performance
commitments

"It's reassuring to see it in black and white, but it's what they should be doing anyway".

HD customer, Welshpool

"Of course the bills and everything, how much we're charged, we thought that was very important."

ST customer, Wrexham

THOUGHTS...

"Well we think that performance commitments are more immediate. [which is why they're so important]. Future business plans are that, they are the future."

HD customer, Welshpool

"It would come down to performance, to see if they're performing well, then it would trigger the charges and ultimately the costs that come to..." **ST customer, Chester**



Other important areas of assurance

Similarly to the charges scheme, cost allocation is placed high on the list of importance because customers feel it impacts them immediately. While having a plan often worked to reassure customers that the water company is 'on top of things'.

3 AREA OF ASSURANCE
Cost
allocation



THOUGHTS...

This was a particularly important area HD customers who don't want to be paying for the bills of others.

Customers would also like to know how the money is being spent for their own reassurance.

THOUGHTS...

To know water companies are planning ahead sets customers' minds at ease. However, its lack of immediacy meant this area fell down the assurance hierarchy.





Other important areas of assurance

Similarly to the charging scheme, cost allocation is placed high on the list of importance because they feel it impacts them immediately. While having a plan often worked to reassure customers that the water company is 'on top of things'.

3 Cost allocation



THOUGHTS...

"I read somewhere that they weren't spreading the cost through England and Wales. If this is the supplier and this is the user, then the users should be paying more than the users who receive it directly from the suppliers, in my opinion. Welsh water for Welsh people."

HD customer, Wrexham

"You'd want to know why the costs have been put in place originally, how'd they come up with the prices." ST customer, Chester

THOUGHTS...

"That's in terms of the approach...that's for the next 25 years, so obviously it is important, but it's not immediately what we're looking for, it's in the future, so it is towards the end of our priorities, but obviously it's good to know they're looking into that."



"Planning prevents so if they plan, and they've got everything in place then obviously everything else just comes off the back of that."

HD customer, Wrexham

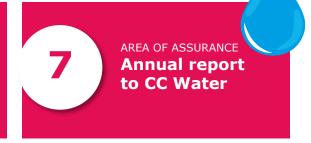




The least important areas are chosen on the basis that they should not be a priority right now and customers wouldn't see the benefit of this until much later. There is low awareness of CC Water which meant most people disregarded the idea of a report to them.

5 AREA OF ASSURANCE Future business plan for 2020-2025





THOUGHTS...

As with the WRMP, customers feel water companies should focus on 'the now' as well as the future and this area seemed too far away to be that big of a concern for some, particularly the younger respondents.

THOUGHTS...

Many admitted they would not be interested in reading this and feel this is not as important to them. However, a one page infographic would prove appealing to some and would be much more likely to be looked at than a document.

THOUGHTS...

Almost all customers are unaware of CCWater and are generally only interested in how their own water company is performing and not how other water companies might be performing. Customers in Chester were more interested to know comparisons.



The least important areas are chosen on the basis that they should not be a priority right now and customers wouldn't see the benefit of this until much later. There is low awareness of CC Water which meant most people disregarded the idea of a report to them.



AREA OF ASSURANCE
Future business
plan for
2020-2025



AREA OF ASSURANCE
Annual
performance
report



AREA OF ASSURANCE
Annual report
to CC Water

THOUGHTS...

"You can't really tell if that increases or decreases your trust until 2019!"

HD customer, Welshpool

"What you said that you're not interested at all in the future, that's an age thing I think, you're not interested now, but maybe in another 10-15 years, you will be interested in what's happening."

ST customer, Chester

THOUGHTS...

"I reckon annual reports give you too much information, with a quarter of that you'd have a bit of an idea about the company's development and what was actually being produced."

HD customer, Wrexham

"If I got a letter through the post that wasn't my water bill, unless it was saying anything about me being charged, I probably wouldn't read it. No disrespect, but I probably wouldn't."

ST customer, Chester

THOUGHTS...

"Well, I've never heard of the CCWater."

ST customer, Chester

"They're not our provider, our provider is Hafren Dyfrdwy." **HD customer, Wrexham**





Areas of assurance: trust

The assurance exercise was repeated but we asked respondents to think about trust. The top areas of trust centre on setting people's expectations both in terms of what the water company will focus on and how they will charge their customers. The areas they're least likely to have trust in are based on the future as this seems intangible for most customers at present.

1 Performance commitments

2 AREA OF ASSURANCE
Charges
scheme

3 AREA OF ASSURANCE
Cost
allocation

4 AREA OF ASSURANCE
Water Resources
Management Plan

Future business plan for 2020-2025

AREA OF ASSURANCE
Annual
performance
report

AREA OF ASSURANCE
Annual report
to CC Water



Most trustworthy areas of assurance

Sharing the areas that the water company are committed to performing well on and charging suggests to customers they will try their best to meet these targets, which is reassuring. The presence of Ofwat however just helps to provide that little extra level of reassurance that customers found comforting.



2 AREA OF ASSURANCE Charges scheme

THOUGHTS...

Customers feel that if the water company has 'committed' themselves to certain targets they will focus on abiding by these and therefore provide a good service.

THOUGHTS...

Consistent, fair pricing helps to secure trust. However, customers know they have no choice of supplier, so question how they would know if they were being charged fairly anyway.

Ofwat's presence here offers a level of security that was welcomed knowing that they operate in a monopolised market.



Most trustworthy areas of assurance

Sharing the areas that the water company are committed to performing well on and charging suggests to customers they will try their best to meet these targets, which is reassuring. The presence of Ofwat however just helps to provide that little extra level of reassurance that customers found comforting.





THOUGHTS...

"I think it sort of sets the precedent for the rest of it, basically, so not just in terms of customer service, but the performance of the company and the quality of the water, really."

ST customer, Chester

"Yeah it would build trust because obviously they've given you the commitment of delivering it to you as a customer."

HD customer, Wrexham

THOUGHTS...

"It is reassuring they are putting their charges in their assurance plan."

HD customer, Welshpool



These two areas of assurance ranked similarly on both importance and trust scales.





THOUGHTS...

Knowing that they are not paying for other customers' bills provides a degree of trust in the company and as seen earlier, is something that is important to customers.

THOUGHTS...

Customers feel secure in the knowledge that if the water company has a plan in place, then customers can trust that they will intend to follow this plan, which should mean that they are well catered for in the future.



Other trustworthy areas of assurance

These two areas of assurance ranked similarly on both importance and trust scales.





THOUGHTS...

"We've got cost allocation as number three, sort of hand in hand with the charges scheme really. So the details being divided between England and Wales just to make sure that all customers are getting the fairest deal of what they can or should be getting, basically."

ST customer, Chester

"Issues like how much you're going to be charged is something you're fixated on!"

HD customer, Wrexham

THOUGHTS...

"I think it's reliability, quality and feeling safe. That they've got their resources in place and they're forward thinking."

HD customer, Wrexham

Well, because you want to know that in the future you're still going to get a good service and that they're looking ahead for 25 years or more to ensure that we're going to have a good quality of water.

ST customer, Chester





Reporting and planning for the future are the least likely areas of assurance to gain their trust.

AREA OF ASSURANCE
Future business
plan for
2020-2025

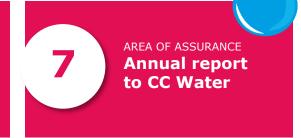
THOUGHTS...

Whilst it is important that water companies are looking ahead, it is less likely to engender trust than current planning or by showing performance commitments.

AREA OF ASSURANCE
Annual
performance
report

THOUGHTS...

Customers feel this is something water companies are obliged to do and therefore doesn't instill much trust.



THOUGHTS...

Again, customers know
this is something the water
companies have to publish, so
would be least likely
to increase trust. If other
areas are targeted they see
less need for reports

Least trustworthy areas of assurance

Reporting and planning for the future are the least likely areas of assurance to gain their trust.

AREA OF ASSURANCE
Future business
plan for
2020-2025

AREA OF ASSURANCE
Annual
performance
report



THOUGHTS...

"I'm not really bothered about the future plan, I'm just bothered about paying the bill to be honest, and you know obviously how our water is, how good it is. We've moved to Severn Trent, so what's to say in 2022 we're even with Severn Trent, then what's it matter?"

ST customer, Chester

THOUGHTS...

"Well, it only happens once a year. I think they just weren't as important as the options we'd had before"

HD customer, Wrexham

"But I do think it'd be good to have something come through for every customer to say what Severn Trent has done throughout the year or every six months or whatever. It'd be interesting to see what the water are doing."

ST customer, Chester

THOUGHTS...

"If their performance commitments are up though and they're doing what they should be and they're, you know, doing their performance commitments then really we should have less and less need for all these reports and everything because they're actually doing what they're saying they're doing."

HD customer, Wrexham





Feelings towards the annual report

Customers tended to find the annual report overwhelming and admitted they would be unlikely to read something like this.

 Customers felt the report was too long and wordy with some customers unsure on some of the terminology used.

Customers would like:

- 1 page infographic, containing simple language
- Sent via their communication preference e.g. how they get their bill
- Containing a summary of how the company have been performing, particularly in terms of number of mains bursts and supply interruptions

"No I wouldn't read all that, I just want to know that they're doing what they're saying that they're doing."

HD customer, Wrexham

"If that came through my door it would go in the blue bag outside. We just want to know this is what we did last year, this is what we're going to do next year."

HD customer, Welshpool





Awareness & knowledge of FTSE 100 companies

Customers would describe FTSE 100 companies as **elite**, **established**, **big** and **powerful**. They often cited mobile providers or banks as fitting this mould.

Named 100 FTSE companies include...













The majority of customers associate FTSE 100 companies with being large and corporate.

Interestingly HD customers do not think of HD as a FTSE 100 company but they assumed Severn Trent might be one of the FTSE 100.

Customers in Chester tended not to be aware that ST was a FTSE 100 company.

"They're profit machines and they're interested in profit, not anything else. They don't care about the planet, it they don't care about anybody."

ST customer, Chester

"Fat cats and profits" **HD customer, Welshpool**

"Hafren Dyfrdwy are under Severn Trent aren't they? So Severn Trent must be up there somewhere. Must be in the top 100. Because they're one of the biggest providers for North West and Cheshire."

HD customer, Wrexham



Thoughts on CEOs of FTSE 100 companies

The majority of customers had a fairly negative stance on CEOs of FTSE 100 companies.

"I'd describe a CEO as being totally detached from the real world of their business. They have no idea what goes on on the shop floor." HD customer, Wrexham CEOs were felt to be 'not like us', wealthy, usually male and detached from their employees and the company at a ground level.

"Every CEO is going to be profit led." **HD customer, Welshpool**



"They're not really like us, normal, they're higher, the rich people.

ST customer, Chester



Respondents were pleasantly surprised to discover the CEO of ST and HD is a woman and warmed to her when they read the information provided about her.

However, they are taken aback by the amount she earns with some thinking she must have worked hard to get that far while others struggle to get passed this believing it is too generous (despite the fact that it is markedly lower than that of other FTSE 100 CEOs).

"I'm pleased to see that there's a woman at the top, that's quite refreshing."

HD customer, Wrexham

"She's obviously got it, hasn't she? I think the salary's enough without bonuses on top of that!

ST customer, Chester





Reasons for renationalisation

Customers were keen on renationalisation before seeing the pros and cons showcard (see appendix). They believed that it would be a way of taking back control and putting customers interests at the heart of the industry.

Very few respondents had read anything in the press about renationalising water companies, although awareness amongst older customers was higher with some recalling a time before water became privatised.

Those in Welshpool were not as keen on renationalisation as they felt their water bills were not very expensive anyway, especially when compared to their other utilities.

"I think water's water, everyone's entitled to it and everyone should pay the same and yeah, it should be as low as we can do it for the benefit of everybody but having one company I guess would make everybody safe."

HD customer, Wrexham

"It also stops the privatisation of companies choosing to do what they want, do what they like, I know it's have to just accept it, but it's government run, there would be a standard without saying it, because we are part of the running, how the water supplied to us."

ST customer, Chester

"Of all the bills we have to pay it is not exactly up there, is it?" **HD customer, Welshpool**



Reasons against renationalisation

Those against nationalisation dislike the idea of paying for somebody else's water. HD customers in particular were less keen on the thought of Welsh reservoirs supplying English customers.

Initially, renationalisation seemed easier and fairer however upon seeing the showcards (see appendix), customers became less passionate about renationalising the water industry.

This is mainly due to prices being lower since privatisation, fewer supply interruptions and the impressive amount that has been spent on funding and infrastructure. "I don't see any real reason why we should renationalise, I don't really trust the government so wouldn't want to put it back into their hands."

HD customer, Welshpool

"It's hard to explain but if people are buying into shares on a FTSE 100, you add their money into it. Whereas if it's nationally owned, the only way it's going to get bigger is if you add more money into it but if it's one company it can't get bigger..."

ST customer, Chester

"That the whole point of privatisation was to create competition, so everyone's trying to bury each other, which in essence, improves an industry, and so if you were to take that away, how would it continue to grow?"

ST customer, Chester





Recall & thoughts of DCWW as a non-profit company



There was a difference apparent in the extent to which HD customers were aware that DCWW was a non-profit company, with the majority in Wrexham* being aware in contrast to only one customer being aware in Welshpool.

 Once explained what "non-profit" meant, this was seen as a positive by most and some in Wrexham even feeling as though if they could, they would switch to DCWW as a result.

"If I could go with them I probably would." **HD customer, Wrexham**

• When asked whether HD being on the stock exchange (in contrast to DCWW) impacts on their views of the company, the vast majority said no, with one respondent adding that it may have done had they not known that the industry was being 'overseen' by Ofwat who were ultimately held up as some safeguard that respondents found comforting.

"It would impact if it wasn't for the fact that there is regulatory control there." **HD customer, Welshpool**

*It should be noted that a minority of Wrexham customers believed that Dee Valley Water had been operated under a non-profit status when it operated.

Thoughts on average bills



DYFRDW'

Following a discussion around DCWW's non-profit status, respondents were then shown a chart displaying 2018/19 average water and wastewater bills in England and Wales. This led to some interesting views – aside from simply being happy with the lower



Some customers in Welshpool actually felt that the fact that HD is new may mean that they are still 'finding their feet' as a company with the implication being that their bills may creep up over the coming years as the company becomes more established.

"The more important one is the Severn Trent one to me because that's longer standing. HD haven't been around long enough and they haven't got everything in place hence the lower bill. It may balance out a bit more in a few years once they're more established."

HD customer, Welshpool

Customers in Wrexham tended to just be pleased with the comparatively lower average bills presented to them.

"Oh I didn't think that would be the case that Welsh Water was so much more expensive than Hafren Dyfrdwy!"

HD customer, Wrexham



Conclusions

Brand awareness

Little brand awareness of either ST or HD

Varied trust scores due to minimal contact. This can be grown through greater contact

Interested to know more about the name change

Components of Trust

It is assumed water companies are making the right decisions as a default position

In order to be trustworthy, companies need to be easily contactable, solve problems quickly in a quick and easy manner and offer helpful customer service

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Areas of assurance

Customers rank the areas that affect their bill and their lives the highest with a tendency to favour the 'here and now' rather than the future

Less interested in annual reporting or future plans as they can't see the immediate benefit from these and see them more as distant promises rather than targets

When it comes to reporting, a short, succinct 1 page document outlining a summary of performance including leakage would appeal

FTSE 100, executive pay & dividends

Seen as large, well established organisations

CEOs are often thought about negatively

Pleased to see ST and HD CEO is a woman although shocked by her salary (although lower than other FTSE 10 CEOs)

Renationalisation

Little awareness or knowledge surrounding renationalisation

Views on DCWW non-profit status

Some awareness of this, strong appetite for non-profit initially but the amount on the bill is more important than the status of the water company

If you have any questions or would like to hear more, contact...

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http://ricercadimercatoinghilterra.it/

















ST customer version

https://www.stwater.co.uk/content/dam/stw/regulatory-library/ST-2017-2018-annual-performance-report-customer-summary.pdf

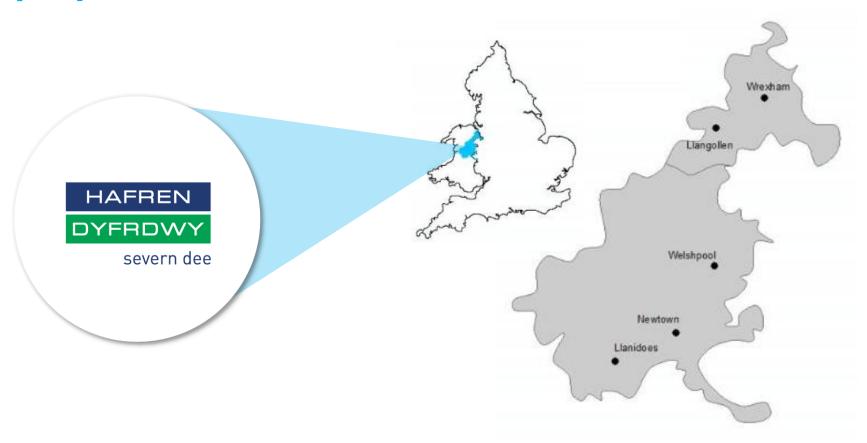
Dee Valley version

https://www.hdcymru.co.uk/content/dam/hdcymru/regulatory-documents/regulatory-reporting/HD-2017-2018-annual-performance-report-english-language-summary.pdf





Hafren Dyfrdwy serves ~ 120,000 properties in mid & North Wales







Charges scheme

Ofwat tells water companies how much they can ultimately recover from customers through bills. This maximum amount is called a "revenue cap"

HD have established processes to ensure that its charges scheme (how much it bills each customer) is consistent with fair charging principles and the revenue cap which is set by Ofwat.







Performance commitments

In order to measure whether it is achieving its objectives, HD has what are called **performance commitments**. Some are set by Ofwat for all water companies to achieve, others are bespoke to each water company.

Each performance commitment has a target which is a committed level of service or service improvement that the company has to achieve.

In HD's own assessment, and in its stakeholders' view, all performance commitments are a priority area for assurance given the potential impact on customers, the environment and market confidence.







Annual report to CCWater



The Consumer Council for Water (CCWater) is a statutory consumer body for the water industry in England and Wales.

On a quarterly and annual basis, HD submits operational performance data to CCWater for a number of performance measures including customer complaints, sewer flooding, pressure and supply interruptions.

The majority of this data is directly from its performance commitment reporting.

For measures that are not a part of HD's performance commitments, HD provides other appropriate assurance, such as ensuring that internal team members scrutinise the data before it is submitted.





Future business plan for 2020-2025

Every five years all water companies go through a process of business planning.



This is where they review the past five years' performance and plan for the next five years and beyond.



In September of this year, HD submitted its 5 year business plan, which sets out its performance commitments, future bills and investment plans for 2020-25. Ofwat will give initial feedback on the plan in January 2019.

HD gets external assurance and scrutiny from independent organisations on their business planning processes.







Water resources management plan

Water companies prepare plans that look ahead 25 years or more to ensure that they will have sufficient water to supply the public and maintain adequate water in the environment.



This plan sets out how HD plans to meet its customers' need for clean water both now and in the future, taking into account the impacts of climate change, population growth and how much water is available in the environment.

Ofwat has set out the approach it expects companies to follow in completing the submission and have outlined specific requirements for assurance, including a signed Board assurance statement.





Cost allocation

How costs are allocated to different parts of the business can impact on Ofwat's ability to assess company efficiency and so it is important that this is done accurately and robustly.

The ST group owns two water companies – Severn Trent, which serves customers in England (the Midlands and Chester) and Hafren Dyfrdwy, which serves customers in Wales (Powys and Wrexham).

They need to ensure that costs are split across these two companies so that customers in each country only pay for the services they receive.







Describe what you think a CEO is like...



Liv Garfield, Chief Executive of Severn Trent & Hafren Dyfrdwy

- Born in 1975, raised in Harrogate; lives with her husband Morgan and two sons
- In January 2003, she joined BT as general manager, running a desk-based sales team. She worked her way up the ranks to become the chief executive of BT Openreach, in 2011. She led a £2.5 billion rollout of fibre broadband (BT Infinity service) to two thirds of the UK
- Became chief executive of Severn Trent in 2014 age 38, which made her the youngest ever CEO of any FTSE 100 company, and she's one of only seven female CEOs on that list
- She is one of a small number of business people on the committee for the Social Mobility Pledge, which encourages business to play a greater role in boosting social mobility in the UK
- In May 2018, she was awarded the Veuve Clicquot Business Woman of the year award. The judging panel said the following when they gave her the award:
- Her salary is £687,000p/a, which is around 1/3 less than the average salary of FTSE 100 CEOs, although there are performance related bonuses that could increase this.



"Since taking the role in 2014, Liv has shepherded strong growth for the water company. Not only is it strongly outperforming the rest of the sector, she has also helped forge a customer-focused culture in the company, reflected in its outperforming challenging targets set by customers themselves.

However, it was this commitment to customers combined with a responsible business that made her stand out."

The water industry

Water companies do not compete with each other for customers; normally one water company manages the water and waste water services in an area.

Water companies are privately owned. In England and Wales, the water sector was 'privatised' in 1989 when regional water authorities were sold to private companies.

The water companies in each area have a 'natural monopoly'. Regulators were therefore set up to keep the water companies in check. The Drinking Water Inspectorate ensures that water supplies are good quality, and the Office of Water Services (Ofwat) is the economic regulator, with the dual task of encouraging investment to improve services, and keeping prices low.

In recent years, some people have been talking about nationalisation of the water sector in England and Wales. Nationalisation would mean bringing the water sector back under public ownership of the national government.





Part 1

Thirty years ago the water industry was owned and run by the government.

Some people argue for doing this again. Here are some of the reasons why:

Bills: have increased 40% since privatisation

Profits: if the water companies are publicly owned, then there will be no shareholders to pay profits to, including large bonuses for CEOs. All profits can be reinvested back into making the system work better or given back to customers through lower bills.

Accountability: Water companies would be more democratically accountable as they would be overseen by Government. This would also mean the government could put their tax arrangements under control

Other countries: Across the world, countries are taking public utilities back into public ownership already.

Part 2

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Bills: the average bill is now around £1 a day. After inflation, bills have stayed pretty much the same since 1994, and between 2015 and 2020 they'll go down by an average of 5%. The regulator Ofwat states that bills are £120 lower than they would have been without privatisation.

Service: customers are now less likely to suffer from supply interruptions, sewer flooding, low water pressure, and leakage. Water quality itself is now 40 times better than it was before privatisation.

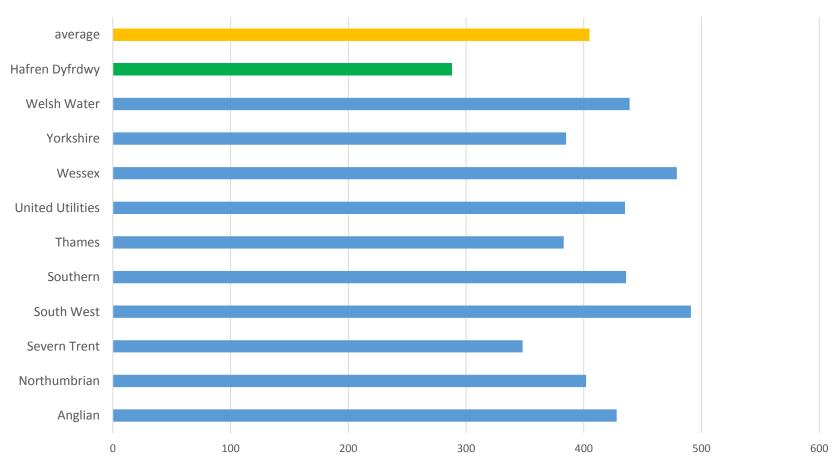
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Environmental improvements: two thirds of UK beaches are now classed as excellent. Wildlife has now returned to rivers that had been virtually dead since the industrial revolution following years of neglect.

Prioritising spending: Paying for nurses, doctors, hospitals, teachers, schools, defending the country, providing pensions and looking after the poorest and most vulnerable in society understandably tend to be at the front of the queue. Where would water be? If, as in the past, politicians decide it's not as high a priority as other areas, what happens to the quality of water, the service customers get, bills, and the protection of the environment? Past experience shows that everyone loses in this scenario.

Average water and wastewater bills 2018/19 England and Wales







Severn Trent serves ~ 4.3 million households and businesses in the midlands and Chester







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