

WRITTEN EVIDENCE FROM R S GARROW LTD

17th October 2012

Scottish Government Draft Budget 2013-14 – Infrastructure and Capital Investment Committee invites written submissions

I am Bob Garrow a director of R S Garrow Ltd. I trust this factual evidence will inform and assist the Committee in its consideration of the Draft Budget 2013-14 in the area of water infrastructure.

Within the Infrastructure Investment and Cities, Chapter 9, from page 111 paper / PDF file page 120.

On Page 113 / 122

“Scottish Water has delivered significant improvements to services over the last ten years. With an annual turnover of over £1.1 billion, it is one of Scotland’s twenty largest businesses. It employs some 3,500 staff and sustains a further 20 per cent of the Scottish civil construction industry. After four years of charges being frozen in Scotland, services are comparable to those received by households in England and Wales. Furthermore, average household charges are now £52 lower than the average in England and Wales.”

On Page 115 / 124 Table 9.01

	2012-13 Budget	2013-14 Draft Budget	2014-15 Plans
	£m	£m	£m
Scottish Water	12.7	-24.3	95.5

Scottish Water is large scale financially but as it is funded by user charges, mostly collected with Council Tax, it barely shows up in the Government Draft Budget. For the convenience of the Committee I present below publicly available financial information on Scottish Water.

Scottish Water’s Annual Report and Accounts 2011-12 and earlier years reveal cash and short term bank deposits have built up to £355 million pounds over three years. See **Figure 1** on the next page.

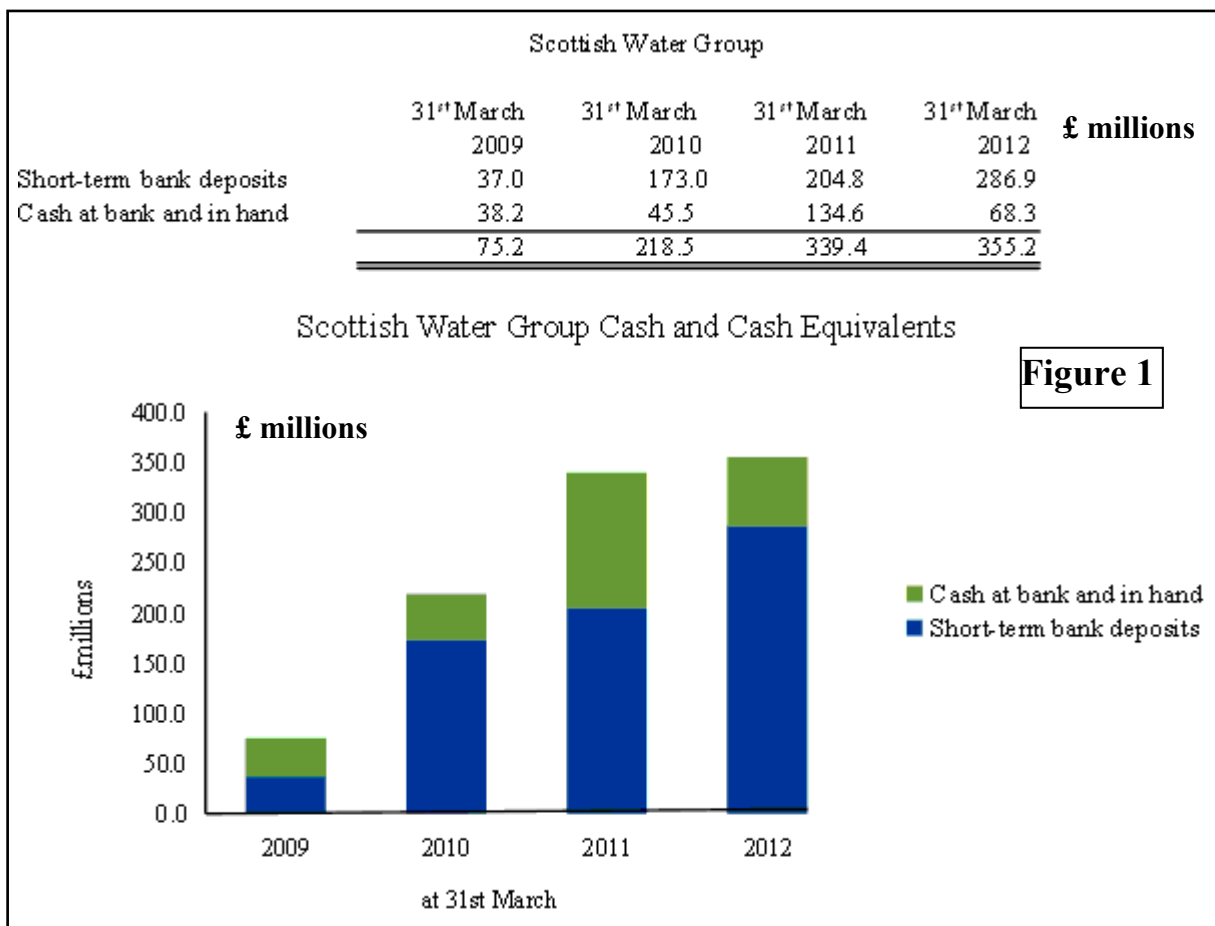
The Explanatory Notes in their Annual Reports reveal that Scottish Water is predominantly financed by customer charges and that 70% of these are domestic customers.

We recognise that over the last ten years Scottish Water has delivered improvements and that now average charges compare with water charges in England and Wales.

We suggest that the cash build up over three years might cast £355m of doubt on the validity of simple price comparisons to England and Wales.

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Other reasons to be considered when making price comparison with English and Welsh water utilities include higher historical and current financials from their privatised structure. Natural environmental water stored and delivered regularly across Scotland is many times greater than natural water south of the border. Large areas south of the border are designated areas of severe water (shortage) stress. From much less natural water supply English and Welsh utilities have to meet much greater demand. We might expect considerably higher water charges in England and Wales than in Scotland.



Apart from the pricing comparison, we suggest that Scottish Water’s cash of £355m is excessive. If Scottish Water was reduced to a month’s cash in hand, well over £1/4bn would be freed up.

Applied by appropriate routes to Scottish Budget headings this could add over 11% in cash to the Infrastructure, Investment and Cities £2,324.7m total for 2012-13.

For cash release potential in future years we suggest that Scottish Water’s £2bn four year capital spending plan be evaluated against a £5.5bn indicative cost of equipping from scratch the whole of Scotland with newer technology decentralised water and waste water treatment plants.

Photographs on pages 4 and 5 show typical traditional and newer technology waste water installations.

An evaluation of utilising new technology by people and organisations economically dependent on and connected with Scottish Water, a monopoly state enterprise water utility, could be expected to involve them in potential conflicts of interest. This would be unfair to them and could prejudice an objective result.

This conflict could be avoided by using a little of the water users cash currently idle at Scottish Water to hire suitably experienced people made available from other areas by Budget cutbacks.

We would expect the newer technologies kit to bring annual capital spending savings in the hundreds of millions of pounds at Scottish Water.

As nature delivering and removing water replaces built infrastructure and pumps, operating savings will also accrue from reduced pumping energy consumption and eliminated infrastructure maintenance.

Environmental expectations and regulations are rising. The environmental footprints of our traditional installations can be seen on the next page. Newer technologies kit would remove these.

An Introduction to R S Garrow Ltd and our Involvement in Water Resources

Our innovation company found a shortage of housing sites in the Highlands was attributed to the difficulty and high costs in providing water and waste water capacity. So we searched out technologies to fill this gap.

We found an award-winning drinking water processor and a range of package waste water treatment plants already operating in sensitive environments in the UK and around the world. These are able to provide water and waste water services capacity at a 20th of the cost per person of the traditional methods schemes currently being built in Scotland and with better environmental signatures.

In Scotland, nature delivers abundant natural water. These technologies enable people to take, clean and use it and then return it to nature cleaner than the way they got it.

Built infrastructure assets are no longer needed to bring in clean water and take away waste water. Large infrastructures and large processing plants are obsolescent.

Scottish Government regulations - regulations mostly imported from England at devolution and reflecting English factors - prevent people using newer technologies. Freeing up Scots to use natural water and modern processing technologies would make many more pieces of land viable for housing and economic development.

These game changing technologies also enable portable and temporary drinking water supply and waste water cleaning.

Conclusion

I hope that this response will inform and assist the Committee in its consideration of this Budget.

Should you or anyone wish clarification of any points we are happy to provide this.

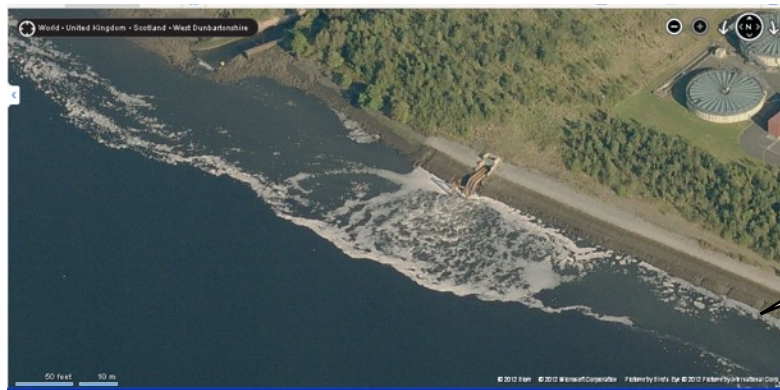
Yours sincerely,

Unsigned as submitted by electronic means

R S Garrow
Director

Centralised Conventional Technology Waste Water Treatment Plants

Bing Maps Bird's Eye Views of
Dalmuir Sewage Works
West Dunbartonshire



Bing Maps Bird's Eye Views of
Daldowie Sewage Works
Glasgow City



Bing Maps Bird's Eye View of
MoD
Garelochhead Training & Transit Camp



**Decentralised Newer Technology
Waste Water Treatment Plants**

Bing Maps Bird's Eye View of
The National Trust Wasdale Head
National Park Camping and Caravan Site



A large industrial plant of the same technology family