

Private equity capitalists will be laughing themselves ...

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The FT [includes an article](#) this morning that suggests:

Ownership of UK water companies has long been the preserve of specialist infrastructure investors attracted to stable assets with predictable cash flows that promise a regular cash return. Quite astonishingly, however, it seems that the key ingredient missing in the infrastructure investors' approach to Thames Water has been to invest enough in the infrastructure.

With all due respect to the articles' author, this paragraph very clearly suggest that they have missed the whole point as to why supposed private equity infrastructure investors actually acquire the assets previously owned by the state sector.

No one bought English water assets for their own sake. They did, instead, purchase a right to undertake what is, in effect, tax farming. That is because they acquired an enforceable right to impose a charge on people who have no choice but to pay it.

Because water is an essential for life, the option of not acquiring it is not available. And, in no part of England is there a choice of water supplier: the option is to take it or leave it, and there is no opportunity to leave it. Water charges are, therefore, pretty close to taxation in their nature, and are almost as legally enforceable.

The appeal of infrastructure investment to private equity owners has nothing to do with their interest in sewage farms, clean water supply, or anything else to do with the underlying industry. It has everything to do with the enforceable nature of an income stream which they have presumed they can receive in perpetuity.

Why note this now? Firstly because Labour does, of course, need to sort out the mess in the water industry, about which it has had remarkably little to say.

Secondly, and at least as importantly, as I have noted over the last day or so, it would appear that Labour is intent on creating many more opportunities for the private sector to profit in this way over the next five years. The suggestion that they plan to rebuild Britain on the back of private equity finance, which for reasons that make absolutely no

economic sense whatsoever they prefer to the option of increasing government borrowing, seems to be soundly based.

In that case, I offer this warning. Those who acquire the private sector right to manage assets on behalf of this supposedly left-of-centre government will not be doing so because they have any interest of any sort in meeting the needs of the people of the UK. Their sole purpose in entering into these contracts will be to acquire an enforceable property right at cost to future governments and generations of people in this country who will suffer the financially penal consequences of what Labour propose to do now.

Amongst those watching tonight's election results with the greatest interest will be private equity capitalists. No one has more to make out of a Labour victory than they do, and they will be laughing themselves all the way to the bank if Rachael Reeves helps Keir Starmer deliver a massive majority that will be used to sell England by the pound.