

Funding the Future

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This [exchange took place](#) in The Commons yesterday as Clive Lewis MP asked Steve Reed MP, the Environment Secretary, about nationalisation of the water industry:

Clive Lewis (Norwich South) (Lab)

I am afraid that the report feels like a missed opportunity for the Government to show the public whose side they are on. It entrenches a privatised model that has already failed economically, environmentally and democratically. With 20% to 50% of bills going on servicing debt, why is public ownership—if it is good enough for rail, GB Energy and renewables—not good enough for water?

Steve Reed

We have to take a rational, not ideological, approach to tackling this problem. Nationalising the water companies would cost £100 billion. Those are not figures, as I have seen my hon. Friend claim, from the water companies; they are provided by officials in my Department under the influence of nobody externally. To pay that money—£100 billion—we would have to take it away from public services, such as the national health service and education, to hand it to the owners of the companies that have been polluting our waterways. That makes no sense to me and it makes no sense to the public. Frankly, I am surprised that it makes any sense to him.

Reading what the [Cunliffe Report](#) has to say about the future regulation of the water industry is meaningless for reasons this exchange makes clear.

The tame and ultra-compliant chair of this review accepted the commission to prepare it because, no doubt, he agreed with the massive untruth propagated by Steve Reed in the above exchange.

As my research has shown, taking environmental considerations into account (or even just part of them) means that every single English water company is likely to be bankrupt.

The usual value of a bankrupt company on sale is £1, and nor is the acquirer obliged to take on any or all of the debt obligations at face value. However, if they were to do so, they would simply accept them and pay nothing for them. In that case, the debts are simply cleared over time, and no money changes

hands to debt financiers on the takeover date.

In other words, the acquisition cost of the bankrupt water industry would be less than £20.

If the civil service is unaware of this, those who prepared the valuation should be reassigned to the paperclip department.

If Steve Reed doesn't know this, he is not fit to hold public office.

If Sir Jon Cunliffe is unaware of this, then he should never have held a senior appointment at the Bank of England.

What is more, if any of the person involved thinks that the cost of water privatisation would come out of what they call 'taxpayers' money' (even though no such thing exists) and that the consequences, as Steve Reed has claimed, is that spending on health education and defence would need to be cut, then they are not just economically ignorant, they are wilfully so.

As a matter of fact, since 1946, all nationalisations have been paid for through the issue of government bonds, which are costless to issue, are redeemed (in principle, although never in practice) thirty to forty years after they are created, and carry interest in the meantime at rates of interest considerably lower than those now paid by the water industry. As a result, supposed taxpayer money is never used to fund nationalisation, and other services will not be impacted in the slightest.

It is not just dogma that Labour is using to deny the need for water privatisation; they are also using a straightforward lie.

As I have also made clear with regard to tax this morning, yesterday was one when the full economic ignorance of the government, its advisers and the Treasury were on display. The result is disastrous policy. We will all pay a heavy price for it, not least when clean water is fundamental to our well-being. Labour, however, thinks the pursuit of profit for a few dodgy dealers is much more critical. If they are never in government again, at least in their current form, it may be too soon.