

Katherine Russell
Director of Customer Service and Corporate Affairs
The Water Industry Commission for Scotland
Ochil House
Springkerse Business Park
STIRLING
FK7 7XE

15th October 2007

Dear Katherine,

CONSULTATION ON THE 2010-14 METHODOLOGY

Thank you for the opportunity to participate in this consultation and in the associated workshops. As you know from previous responses, CECA (Scotland) is the sole body representing the civil engineering contractors who carry out most of the construction work for Scottish Water and Scottish Water Solutions. Indeed, all current In-House Delivery Partners, Associated Delivery Partners and Small Value Capital Project contractors belong to CECA (Scotland) and our Members carry out over 80% of Scotland's c£1.8bn pa civil engineering outturn. A membership list is attached.

The water sector's current construction outturn is c£500m pa and therefore constitutes over 30% of Scotland's civil engineering activity and between 6 and 8% of Scotland's total construction activity. Scottish Water is Scotland's largest civil engineering client and consequently we engage in regular dialogue with its management team.

Since our focus is on the delivery element of Scottish Water's remit we will limit our response to the consultation to some general comments which largely concern Volume 4 of the Review where our main area of interest lies.

Size of Programme

Scotland's civil engineering industry is well capable of delivering Scottish Water's current run rate of £500-600m pa. However, the industry undoubtedly delivers this most efficiently when there is an even spread of project preparation, design and construction across the full regulatory period. The current programme still tends to be design and consent driven at the beginning and construction driven at the end. This leads to the wholly undesirable spikes and dips that bring the much documented resource issues for programme managers, designers and contractors. This imbalance has wider ramifications than resources and money not least in site health and safety where Scottish Water has identified an increased accident rate when the industry is required to gear up its run rate quickly.

Ministerial Objectives

CECA believes that clear and early Ministerial Objectives are the key to establishing the successful baseline for all other work in the regulatory period. We appreciate that the regulator and Scottish Water can only carry out their functions based on the objectives set. From our perspective we welcomed previous Ministers' recognition of the need to consider investment continuity as an intrinsic part of the objectives and would hope that this will be more clearly spelt out in future because it is without doubt the best way to achieve efficiency in delivery. We welcome the additional time that has been built into the Q&S 3B timeline and would seek even earlier publishing of future Ministerial Directives to allow earlier visibility of the programme and preparation for construction.

Output Monitoring Group (OMG)

We welcomed the establishment of the OMG as a means of facilitating greater collaboration between all the principal players during the review process and encouraging a "no surprises" culture. We believe this interaction will continue to improve and assist the whole process.

Early Start & Overhang

At the WICS's stakeholder workshops and in previous responses we have long advocated smoother transitional arrangements for construction work between the regulatory periods. We make no apology for doing so again because we believe there is so much to be gained from it by all parties. However, as a result of the Stakeholder Workshops we now have a greater appreciation of the regulator's requirement to safeguard the interests of those paying the charges and ensure that they get what they paid for.

CECA believes that the most straightforward way of achieving a smooth transition is by adopting an earlier and larger Early Start programme together with greater flexibility with the Overhang programme to allow optimum use of the construction resource across the full regulatory period and during the transition between periods. We would also suggest that in order to make best use of any Early Start facility the work should include the whole delivery team. We were therefore pleased to note that Rhona Brankin MSP, the then Deputy Environment Minister, acknowledged this principle in her letter to Sir Ian Byatt on 14th December 2006. Her successor, Sarah Boyack MSP, reiterated this in separate correspondence with ourselves a month later and we feel confident from subsequent discussions with SNP Ministers and MSPs that the current administration will maintain this policy.

We accept that if a significant Early Start programme is introduced including some construction delivery then the need for Overhang should gradually diminish. Whatever the balance, we believe a methodology of funding which facilitates construction during transition should be found and used.

We do not accept fully the suggestion that an Overhang programme takes Scottish Water's "eye off the ball" because the resources being used in Overhang are focused on construction at the end of the delivery process whereas the resources being used at the beginning of the new periods are more focused on scoping, consents and design. Overhang is therefore still a valuable tool in keeping the construction sector active.

Condition of the Assets

Those contractors who regularly visit and work on Scottish Water's assets report that Scottish Water staff face a huge challenge in increasing efficiency whilst still catching up with historic asset risk issues. We therefore commend any move to a more sustainable long term maintenance programme.

Future Regulatory Periods

We appreciate that extending the regulatory period is an ambitious suggestion but would point out the benefits it might bring in programme and investment stability by allowing the industry to get on with the job of delivery. It could also bring the added advantage of disengaging Scotland from the same timescales as the English AMP so that we are not competing for the same resources at the same time. We acknowledge that this would effectively preclude a five year period next time due to the AMP timeline and would therefore favour six years. We would also suggest that in the longer term consideration might even be given to overlapping periods as an alternative to Overhang and Early Start.

In conclusion, we are grateful for the chance to take part in this consultation and look forward to the further work and assisting where we can.

Yours sincerely

ALAN WATT
CHIEF EXECUTIVE

Encl.