

# ECONOMIC PERSPECTIVE

## WATER AND SEWERAGE IN SCOTLAND\*

[A Review of responses to the Government's Consultation Paper]

*\*I am grateful to Clare Reid for her assistance in this study.*

by James McGilvray, Department of Economics, University of Strathclyde

### 1. Introduction

The Government's Consultation Paper "Water and Sewerage in Scotland : Investing for our Future" was published in November 1992 and invited submissions, with a deadline of 29 January 1993. Despite this relatively short time period, around 4800 submissions were received by the Scottish Office, an indication of the importance attached to the issue by individuals and organisations in Scotland (the vast majority of submissions, almost certainly over 99%, originated from Scotland).

The Consultation Paper followed, and was presumably based on a consultant's report commissioned by the Government from merchant bankers Quayle Munro. Neither the terms of reference of this study, nor the consultant's report, have been made public, inviting suspicion that the Government's intention was to devise the most palliative, or politically least damaging way of privatising water and sewerage services in Scotland.

The need to consider the future of the Scottish Water and Sewerage services arises mainly because of the Government's intention to reorganise local government in Scotland into a number of unitary authorities. The (nine) Regional Councils are to be abolished. Since water and sewerage services are regional responsibilities, their future status needs to be determined.

A less direct but nevertheless influential additional reason for considering possible changes in the status of these services is the need for substantial investment to upgrade and extend the water and sewage networks. Rough estimates suggest that investment of around £5 billion over the next 15 years may be needed. Given current Treasury rules and the current and prospective public sector budgetary position, this will be difficult to fund, prompting thoughts of possible private sector

involvement. As we will see, this was a dominant theme in the consultation exercise.

The Consultation Paper identified eight options for the future status of water and sewerage services in Scotland, while allowing that there may be others. Those identified were

- A Place the Services with the New Unitary Authorities
- B Create Joint Boards of the New Unitary Authorities
- C A Lead Authority Structure
- D Create New Water Authorities
- E Create a National Water Authority
- F Joint Local Authority/Private Sector Schemes
- G One or more Public Limited Companies
- H Franchising

Following a brief discussion of each option, the Paper concluded by listing 12 questions or criteria which directly or indirectly bear on the choice of option (Consultation Paper pp 29-30). The thrust of these questions was to seek to identify the most efficient and cost-effective way of delivering water and sewerage services to the consumer, and which would also be best placed to secure the future financial (investment) needs of the industry. More specific questions dealt with the future of the Central Scotland Water Development Board, and the need for a Drinking Water Inspectorate; however, it is significant that the first question addressed the issue of future investment finance, and financial and/or efficiency issues were the most frequently recurring themes in the Paper's discussion of options.

This article briefly reviews the submissions to the Scottish Office, in particular those submissions which were more than a simple statement of support for, or opposition to a particular option or options, but which contained commentary and

<b>Table 1 Submissions by type of organisation and option preferred or recommended</b>					
<b>Type of organisation</b>	<b>Options</b>				
	<b>A-C</b>	<b>D-F</b>	<b>G-H</b>	<b>No view or Unclear</b>	<b>All</b>
1 Community, Voluntary Bodies	66	4	-	14	84
2 District/Regional/Islands Councils	13	2	-	1	16
3 Political parties	21	2	2	-	25
4 Public sector bodies	5	-	-	5	10
5 Trades Unions	9	1	-	-	10
6 Trade, Commercial, Professional Associations	8	3	1	3	15
7 Private Companies	4	2	3	6	15
8 Academic	-	2	-	-	2
9 Individual Letters	791	22	1	10	824
10 Other	-	2	-	-	
<b>TOTAL</b>	<b>917</b>	<b>40</b>	<b>7</b>	<b>39</b>	<b>1003</b>

Note: For a Key to the Options A-H, see Section 1 above.

<b>Table 2 Summary of preferred options</b>			
Options A-C	Maintain status quo	917	126
Options D-f	New public sector bodies/joint venture	40	18
	Privatisation/franchising		
Options G-H		7	6
No clear preference		39	29
<b>Totals</b>		<b>1003</b>	<b>179</b>

<b>Table 3 Submission by type of organisation and option preferred/recommended - sample of 79</b>						
<b>Type of organisation</b>	<b>Options</b>					
	<b>A-C</b>	<b>D-F</b>	<b>G-H</b>	<b>Other</b>	<b>None</b>	<b>Total</b>
Community/Voluntary	5.5	1.5	-	-	2	9
Political parties	3.5	.5	2	-	-	6
Public sector bodies	2	1	-	-	4	7
Trade unions	4	1	-	-	-	5
Trade, commercial profes. assoc	6	11	-	1	5	23
Companies	.5	1.5	2	1	4	9
Academic	1	1	1	1	3	7
Banks/consultants	.5	7	5.5	-	-	13
<b>Total</b>	<b>23</b>	<b>24.5</b>	<b>10.5</b>	<b>3</b>	<b>18</b>	<b>79</b>

analysis of the issues raised by the Paper. Excluding community councils, district and regional authorities and political parties, these number about 250; though a number of these submissions were quite short, they came from important organisations or groups whose views might be expected to carry some weight. The review provides a perspective against which the Government's announced choice of option may be assessed.

## 2. Summary of all submissions

For a summary breakdown of all submissions, this paper draws on the results of an analysis by Scottish and Westminster Communications (S & W) in March 1993. S & W counted 4733 submissions<sup>1</sup> of which 4057 (85.7%) were letters from "private individuals". Of the remaining 676, 275 were from Community Councils, 70 were from political parties and 58 were from regional, district and islands councils. The balance of 273 include sport, recreational and environmental bodies, trades unions, companies and other commercial organisations, churches, charities and health authorities, and other groups (see below).

According to S & W, of these 676 responses only five "clearly [prefer] water and sewerage services to be transferred to the private sector. This represents a 0.7% response rate in favour of privatisation." Although there is no doubt that support for privatisation is very low, this statistic slightly understates the degree of support.

First, support for privatisation should include those submissions which favour franchising [option H], since although this can permit the retention of the industry's assets in public hands, the management and operation of water and sewerage services are transferred to the private sector<sup>2</sup>. Secondly, in a small number of cases it is clear from reading the submissions that the authors favour privatisation, but consider it politically unrealistic, and hence recommend another option, or decline to support any particular option. Nevertheless, even taking account of these points, support for privatisation is negligible, as reported below.

S & W Communications do not report a breakdown of the 4057 responses from private individuals, but from the sample results reported below, support for privatisation in this group is even lower.

## 3. Sample results

For the present study, a sample of just over 1000

responses was drawn, and a number of these were then studied in greater detail.

A breakdown of the sample by category of respondent, and by recommended option is shown in Table 1.

The "letters from individuals" group can be regarded as a random sample of the 4057 "private individuals" identified in the S & W analysis, although in this study a number of submissions from individuals (for example academics, businessmen) have been transferred into one or other of the "institutional" categories. Table 1 shows that only 1 of the 824 individual submissions examined supported privatisation - specifically, option G - while 791 (96%) supported the status quo, for the purpose of this analysis defined to be options A, B and C. Given that this is a large sample of individual submissions, it is quite clear that there is overwhelming public opposition to any significant change in the status of the water and sewerage industry.

The sample of organisations is not a strictly random sample, but it is hopefully representative. It was obtained by scanning the list of submitting organisations and extracting individual submissions at intervals through the list. However, "political" submissions are under-represented and more "technical" submissions e.g. from engineers, consultants, banks, are over-represented. Nevertheless the composition of the sample does not differ appreciably from the composition of the total number of organisational responses, so the potential degree of bias is slight.

Of the 179 organisational responses, 6 (3.4%) favoured privatisation, of which 2 were "political" submissions, 126 (70%) favoured the status quo range of options, and 18 (10.1%) recommended new public sector bodies, and/or joint public/private sector ventures, though maintaining public ownership. Two or three of this latter group, however, envisaged subsequent privatisation of these public sector bodies at a later date. Finally, of the 29 (16.2%) not venturing a definite preference, a large number were voluntary or charitable bodies, such as angling associations or other outdoor recreational groups, who were concerned with issues such as access to reservoirs and surrounding lands, should there be a change in status. There is frequent criticism of the omission in the Consultation Paper of any discussion of access and other recreational aspects.

Results from this sample confirm that there is very strong support for the retention of water and sewerage services in their present form, or as close to that as may be feasible within the new framework of local government. Specifically, there is negligible support for privatisation, either by the creation of one or more public limited companies, or by franchising. However, although a large majority of submissions support the status quo options, a review of the evidence (see Section 4.1 below) suggests that the status quo may be difficult to sustain in the wake of local government reorganisation, and could be significantly less efficient than the creation of new public sector bodies.

The following section is based on a detailed analysis of 79 of the non-local authority submissions, including all of those in the larger sample in favour of privatisation, and most of those in favour of new public sector bodies. It should be noted that this group includes a number of submissions which were not included in the sample analysed in Tables 1 and 2, so the data in Table 3 below are not a sub-set of the data in the earlier tables, though there is a considerable overlap<sup>3</sup>.

#### 4. Analysis of major issues

Table 3 records the distribution of recommendations or preference by type of organisation, in a manner similar to Table 2, but slightly extended. In a number of cases, respondents suggested more than one option, sometimes combinations which cut across the groupings adopted in the table. In these cases, for counting purposes the "vote" has been split between groups of options; thus the recording of fractions in the table and column totals. In some cases it was not easy to determine which option was being recommended, and some degree of judgement has been applied. The "No Preference" column includes respondents whose preference could not be identified, as well as those who deliberately chose not to express a preference. Finally, some respondents suggested options which were distinctly different from, rather than variants of the eight listed in the Consultation Paper.

##### 4.1 Organisational structure

Very few of the submissions examined considered the possibility of separate water authorities and sewerage authorities, and none of those studied in detail recommended such a separation. It seems safe to assume that dual purpose authorities will be established.

Although Table 2 indicated that a large majority of respondents favoured the status quo, defined here as options A, B or C, and this remains a popular choice of the 79 submissions summarised in Table 3, retention of the status quo in relation to organisational structure is most unlikely. Almost all the respondents who considered the issue accepted that the existing number of water authorities is a maximum and most accepted that a consolidation of existing authorities would be desirable on efficiency grounds, though direct evidence of economies of scale in water supply is apparently slight - see Sawkins (18)<sup>4</sup>. Since current proposals for local government reorganisation envisage 28 unitary authorities, option A would require a fragmentation rather than a consolidation of existing units and was therefore considered by many respondents to be undesirable on efficiency grounds. Options B and C offer a compromise allowing local authority control and the benefits of scale, but these options - particularly option C - were not widely supported.

Amongst those submissions which gave particular consideration to the number of water authorities and their boundaries, the most popular option was three units based broadly on hydrometric areas, namely:

- South West Scotland including Strathclyde and Dumfries and Galloway;
- South East Scotland including Borders, Lothian, Fife and part of Central;
- North Scotland comprising Tayside, Grampian, Highland and part of Central.

"Although a number of organisational configurations can be identified, it is considered that three organisations would provide the best balance to provide high quality services at least cost. These organisations would be based on broad hydrometric boundaries....." (Institution of Civil Engineers[8]).

"A single new Scottish Water Authority, or three separate Authorities serving the geographical areas of the north, east and west respectively would be preferable on the grounds that it would offer meaningful economies of scale....." (Crouch

Hogg Waterman [7]).

"A reorganised structure based on river basins which would produce three new water authorities is as follows:.....

It is suggested that three water and sewerage authorities structured as outlined above would be strong, viable units capable of fully meeting the Government's aims." (E McKenna [14]).

Although the scale/efficiency arguments in favour of such a structure seem plausible, no hard empirical evidence was offered on economies of scale. However, a 3-Unit structure was the most popular choice of Trade, Commercial and Professional Associations, and of Banks/Consultants (Table 3). Each unit is claimed to be big enough to capture economies of scale, while retaining a some "regional" identity determined by natural (river basin) boundaries. Although small by England and Wales standards, the proposed units are considered big enough to offer comparable career opportunities. Three Units also offer opportunities for intra-Scottish "yardstick" comparisons of the form being developed by Ofwat for England and Wales.

A three-unit structure is consistent with many of the options listed, notably Option B (joint boards), Option D (New Water Authorities), Option F and of course both "privatisation" Options G and H. It may be worth noting here that Option C, the "Lead Authority" concept, was -at least on the basis of the sample examined - the least popular of the so-called public sector options. Thus if the consultation process has a significant influence in the final choice of option, Option C can be excluded. Likewise, on the basis of the technical and administrative arguments advanced, an organisational set-up of three distinct authorities for mainland Scotland would seem to command significant support.<sup>5</sup>

#### 4.2 Ownership

Of those respondents expressing an opinion or preference, an overwhelming majority supported the retention of water and sewerage services within the public sector, and many were explicitly hostile to the concept of privatisation. A number of the respondents supported continued public ownership for reasons of social or moral principle, viz

"Water and sewerage supplies should be available to all without any consideration of profit motive or personal circumstances." (Scottish Association of Health Councils [19]).

"We are implacably opposed to the withholding of water from people in need on grounds of cost." (Justice and Peace Scotland [13]).

but many were based on theoretical or practical economic arguments. Water supply is a "natural monopoly" to an even greater degree than other utilities, with a very low marginal cost. In water supply, the basic raw material is in abundant supply in Scotland and, apart from some highly localised areas, the capacity of the system is more than adequate (though renovation and upgrading of infrastructure is needed). Although difficult to measure precisely, comparative cost data appear to indicate that the existing system is managed efficiently, and review of the submissions indicates a high degree of customer satisfaction (in fact, of the submissions examined, not a single one was critical of the industry in its present form, even amongst those who proposed a change of ownership).

This very brief summary of the arguments supporting public sector status for the industry underlines the point that it is difficult to deploy most of the usual arguments in favour of privatisation, in the case of the Scottish water and sewerage industry. Competition is not a feasible proposition. The water part of the industry is already run on commercial lines, and to extend this to sewerage services does not require privatisation, so that the industry need not be constrained by, or be a constraint on the public purse. Proponents of privatisation of public sector industries typically argue that a privatised industry would be more efficient, but the scope for static efficiency gains, other than those obtainable by consolidation into fewer operating units (which does not necessarily involve privatisation), would appear to be limited in this case.

"The public water authorities in Scotland have been very successful in supplying excellent quality of water at very modest cost." (Scottish Association of Health Councils [19]).

"It is a matter of record that the Scottish public has been well served by the present water and sewerage services structure."  
(Crouch Hogg Waterman [7]).

Against these hypothetical gains must be set the certain cost of regulation and the costs associated with the establishment of a separate billing and payments regime. If disconnections for non-payment continue to be illegal in Scotland, costs will be incurred in prosecuting for non-payment. If disconnections are legalised, costs will be incurred by the social and public health services in coping with the consequences of disconnections.

In the light of these arguments, and in the face of such strong opposition from the general public, potential efficiency gains would need to be considerable to justify privatisation. However, the major theme in most of those submissions which were supportive of complete or partial privatisation of the industry, was that privatisation would enable the industry to finance a £5bn investment programme without adding to the public sector borrowing requirement. This has nothing to do with economic efficiency, whatever its appeal on other grounds.

Three of the submissions reviewed unambiguously favoured privatisation Option G<sup>6</sup> while four equally clearly supported franchising (Option H) or a variant of franchising<sup>7</sup>, and one supported either Option G or H<sup>8</sup>. Three others proposed arrangements which involved some degree of privatisation, but could not be readily identified with one particular option<sup>9</sup>.

Almost all these submissions emphasised the potential efficiency gains from privatisation, but in no case was there any attempt to quantify these benefits. Respondents asserted that privatisation would improve efficiency, but there are costs to be set against these potential gains, including privatisation costs (one-off but not inconsiderable), regulation costs and the administrative costs of separate billing, collection and enforcement. If metering of households (favoured by Ofwat) were introduced, discounted costs would almost certainly exceed benefits. However, all the submissions in favour of privatisation appeared to assume that benefits would exceed costs, without any attempt to validate these assumptions.

A number of respondents list readier access to investment finance as an advantage of privatisation,

implying a shortage of investment finance for the industry in the past. This may be a strong motive for privatisation, but it is not a justification.

"We do not believe that the need to raise capital should be the overriding consideration in deciding the form of the future management of water and sewerage in Scotland." (Scottish Landowners' Federation [22]).

Two of the proponents of franchising - Halcrow [9] and Hill Samuel [10] - proposed that the franchiser should be a public sector body, while the franchisee is private sector. A more complex variant of this arrangement, but which offers other advantages, was proposed by Jakubik and Turbeville of Goldman and Sachs [12]. These proposals attempted to secure what is perceived to be the best of both worlds by marrying public sector ownership of the assets with private sector operating efficiency and access to capital. However a careful review of franchising by McMaster and Sawkins [15] cast doubt on the viability, or at least the attractiveness of franchising. At a practical level, franchising was viewed as the most complex of the options listed, a novelty in the UK context, and almost certainly a more expensive option than privatisation through the plc or trade sale route. It was also argued that it would be difficult to introduce a system of franchising, as well as a restructuring of the industry by the target date of 1996.

"...serious doubts must exist that adequate [franchise] contracts can be developed to suit Scottish water and sewerage legislation, culture and legal framework within the timescale available." (Institution of Civil Engineers[8]).

"...it is considered that preparation of suitably comprehensive and effective [franchise] contract documents and procedures would be virtually impossible within the required timescale. Similarly the monitoring of contract performance.....would require very expensive monitoring arrangements." (Institution of Water Officers [11]).

Nevertheless, some form of franchising option on the lines sketched above may be proposed as a

politically credible means of introducing private sector management and capital.

### 4.3 Investment

As pointed out above the Consultation Paper saw privatisation or franchising as a way of financing levels of investment which would be difficult to fund while the industry remained in the public sector. It is widely accepted that legislation and rules which count capital expenditures as part of the Public Sector Borrowing Requirement (PSBR) have constrained investment, not only in the water industry<sup>10</sup> but also in other former nationalised industries such as electricity, gas and telecommunications. While it is widely acknowledged that this has resulted in considerable resource misallocation in the economy, the system appears impervious to change.

For respondents who supported privatisation or franchising (in which the franchisee undertakes investment expenditure), removal of public sector constraints on capital investment was seen as a major benefit of privatisation.

Other submissions proposed a variety of approaches. Most frequent was a call to amend the rules, so that capital spending which is amortised though charges for the services provided is not included in the PSBR (this would in practice involve adding the cost of sewerage services to the present separate water charge).

"A crucial concern is the Treasury rules on PSBR. We consider they should be altered to prevent artificial restrictions being imposed, particularly where costs are ultimately financed by the customers. Considerable precedent exists in Europe for such a change." (CBI [5]).

"...other than Treasury dogma which insists that the borrowing by any public body for capital investment must be considered part of the PSBR in spite of the fact that it can be financed by water rates, there would appear to be no reason why change of ownership is necessary for the water industry in Scotland purely in terms of meeting the requirements of the capital

programme." (Association of Consulting Engineers[24]).

"We do not accept the arguments that privatisation is necessary to avoid the constraints of public expenditure and provide easy access to private funds. The consumer always pays for the cost of these services including the cost of borrowing funds for the major programme of capital expenditure. This should therefore not be constrained by Treasury rules affecting the public sector borrowing requirements, and these artificial rules should be changed." (Babtie Shaw & Morton [1]).

This proposal was frequently combined with the suggestion of writing off existing debt at the time of reorganisation; debt charges allegedly account for 40% of the industry's recurrent expenditure, which if written off could be redirected into investment. However unless the assets of the industry were actually sold, precedence would suggest that such a proposal would be resisted by the Treasury.<sup>11</sup>

Other suggestions included BOT (Build, Own, Transfer) and BOOT (Build, Own, Operate, Transfer) deals in which the private sector undertakes particular capital projects (and may also operate them), receives a service or facility fee from the public sector water authority, and transfers ownership of the assets concerned to the authority at a future date. Such schemes have been popular in a number of developing countries in recent years, including water supply and highway projects.<sup>12</sup> Several submissions proposed a combination of methods for financing investment, including a relaxation of Treasury rules governing PSBR categories, debt write-off, BOT/BOOT schemes and higher charges. Several noted that since privatisation about 60% of investment in English and Welsh water companies has been financed by higher charges (and most of the remainder by borrowing - equity finance has been negligible). The view was widely expressed that the future ownership structure of the industry should not be dictated by (relatively short-term) investment finance needs<sup>13</sup>. Overall, those responding to the Consultation Paper did not attach the same importance to the sources of investment finance, as did the Government, correctly viewing this as a problem of Treasury rules and regulations rather

than as a problem of resourcing the future needs of the industry.

"A major assumption behind the paper is that there are constraints on public expenditure which cannot be allowed to rise to meet the needs of water and sewerage services. This highlights a strong contradiction - if the English water plc's put up their charges in order to borrow from the European Investment Bank, and invest the loan in water infrastructure that is private expenditure and acceptable, but if Regional Councils do precisely the same, that is public expenditure which is controlled by the government. If in fact water and sewerage expenditure is funded directly by those served, it does not impinge on any other aspect of general public expenditure and need not be classified as such." (Institution of Water and Environmental Management [25]).

## 5.0 Conclusion and postscript

An overwhelming majority of submissions supported retention of water and sewerage services within the public sector. Less than 1% of the submissions reviewed supported either direct privatisation or franchising.

Nevertheless, a reorganisation of the water and sewerage industry in Scotland will be necessary if the proposed reform of local government is implemented. Although a clear majority of submissions supported one or other of the "status quo" options - namely, that the industry continues to be part of local government services - this seems unlikely. Amongst the alternatives, the most favoured solution was for the establishment of new public sector water authorities, most commonly three such authorities.

Submissions supporting privatisation generally cited greater efficiency as a benefit, but no evidence was presented to show that these benefits would exceed the associated costs, which could be substantial.

The major argument advanced in favour of privatisation or franchising was that it would permit

access to finance outside the constraints of the PSBR. While this is undoubtedly true, it is an exclusively pragmatic argument unrelated to any economic criteria of resource allocation. Many submissions argued that administrative rules on public finance should not dictate the form of ownership and management of the industry.

Since the completion of the first version of this paper, the Government has announced its intention to reorganise the industry into 3 public water authorities, which will be run on commercial lines and which will seek private sector involvement. At this stage, no further details have been announced.

Critics have argued that this is an intermediate step forced on the Government by a public opinion strongly hostile to privatisation, and that the intention is to prepare the way for later privatisation, made easier by the delinking of water and sewerage services from local government control. Whether or not this is the case, the evidence culled from the submissions strongly suggests that, of the public sector options, that selected by the Government is best in terms of efficiency, management and flexibility in sources of investment; however, there are important issues to be resolved in relation to regulation and democratic control.

### A list of submissions cited

- (1) Babbie Shaw & Morton, Consulting Engineers.
- (2) Bell Lawrie White & Co Ltd.
- (3) C & W Consultants, Glasgow.
- (4) Caledonian Paper plc.
- (5) CBI Scotland.
- (6) Conkey, Peter and Allan J M Hogarth, Scottish Young Conservatives.
- (7) Crouch Hogg Waterman, Consulting Engineers, Glasgow.
- (8) Edinburgh and East of Scotland and Glasgow and West of Scotland Associations of the Institution of Civil Engineers.
- (9) Halcrow, Consulting Engineers, Glasgow.
- (10) Hill Samuel Bank Limited.
- (11) Institution of Water Officers, Scottish Area.
- (12) Jakubik, Michael and Wallace Turbeville, Goldman Sachs International Limited, London.
- (13) Justice & Peace Scotland.
- (14) McKenna, E, Civil Engineer, Edinburgh.
- (15) McMaster, R and John W Sawkins, Dept



- of Economics, University of Aberdeen.
- (16) Riddell, Dr J, Dept of Civil Engineering, University of Strathclyde.
  - (17) Saur Water Services plc.
  - (18) Sawkins, John W, Dept of Economics, University of Aberdeen.
  - (19) Scottish Association of Health Councils.
  - (20) Scottish Chambers of Commerce.
  - (21) Scottish Conservative and Unionist Association.
  - (22) Scottish Landowners Federation.
  - (23) Shetland Islands Council.
  - (24) The Association of Consulting Engineerings, Scottish Group.
  - (25) The Institution of Water and Environmental Management.

## FOOTNOTES

1. "The Future of Water and Sewerage Services in Scotland: An Overview of Responses to the Scottish Office", Scottish and Westminster Communications, Edinburgh, March 1993. The final tally can vary according to how duplicate letters, petitions, etc are treated.
2. A similar arrangement has been mooted for rail services in which ownership of the track will remain with the state or a state corporation.
3. A number of submissions were not available at the time of the preliminary analysis.
4. "The existence of economies of scale in water supply and sewerage has been frequently asserted but seldom tested empirically." (Sawkins, p.3).
5. Opinion was divided on whether water and sewerage services in the Western Isles, Orkney and Shetland should continue to be the responsibility of the Islands Councils, or be transferred to the North Scotland (or other mainland) authority. This issue is not considered in this paper, but for a good argument for the status quo see Shetland Island Council [23].
6. Bell Lawrie White (2), Messrs Hogarth and Conkey (Scottish Young Conservatives) (6) Caledonian Paper (4).
7. Halcrow (9), Hill Samuel (10), Messrs Jakubik and Turbeville (Goldman Sachs) (12), Saur Water (17).
8. Scottish Conservative and Unionist Association (21).
9. Scottish Chambers of Commerce (20), Dr John Riddell (Strathclyde University) (16), C & W Consultants (3). Other submissions proposing private sector involvement were counted under option F, but these generally involved a lesser and/or more specific form of involvement than the 3 listed here.
10. "The water and sewerage industry in Scotland has been underfunded over many years, leading to a progressive deterioration of the existing infrastructure services and treatment systems." (Crouch Hogg Waterman [7]).
11. In England and Wales, the debt write-off would have been reflected in the selling price and hence at least partially recoverable.

12. A UK example is the Dartford Tunnel. It should be noted that BOT and BOOT Schemes do not automatically escape the PSBR stigma.
  
13. See for example the Scottish Landowners Federation (22).