



CUSTOMERS' VIEWS OF WATER AND WASTE WATER SERVICES IN SCOTLAND

REPORT ON A PROGRAMME OF QUALITATIVE RESEARCH

March 2013

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BACKGROUND AND OBJECTIVES

Consumer Focus Scotland hosts the Customer Forum which was created through a partnership agreement between the Water Industry Commission for Scotland, Consumer Focus Scotland and Scottish Water. Its purpose is to represent customers' interests in the price-setting process for water in Scotland for the 2015-2020 period, ensuring their priorities and views are formally considered and to secure the best outcome. Prices are reviewed every 5 years under a process known as the Strategic Review of Charges, ensuring that Scottish Water is adequately financed to meet the demands of providing water and waste water services.

The Customer Forum's role is to work with Scottish Water using research to establish customers' priorities for service level improvement and their expectations in terms of the level of charges. Following an extensive programme of work by Scottish Water, further research was required to explore a number of issues in more detail. The brief defined these as:

Overall:

To help the Customer Forum build on existing research by Scottish Water in order to gain a deeper understanding of the water and waste-water needs of customers in Scotland, and what they are willing to pay for these services and why.

Specifically:

- i. Current perceptions in relation to how happy/prepared people are to see bills rise, and how genuinely realistic these claims are in respect of the current (tight) economic climate

- ii. Within this context, explore which aspects of service are important to customers, and which are urgent or priorities for improvement if not necessarily investment
- iii. How much consumers are willing to pay to see improvements to water services and which aspects they are more/less resistant to paying for
- iv. Specifically, how customers make trade-offs between price and service as identified by their willingness to pay in the case of different scenarios
- v. How customers evaluate what is an acceptable level of service for an acceptable price, notably in relation to risk of service failure/disruption
- vi. Willingness to pay for service improvements that affect a minority of customers only (external sewer flooding, reducing sewer flooding risk, improvements to water colour/odour, water pressure)
- vii. What customers believe and expect from their water company in terms of environmental and carbon reduction plans
- viii. What is seen as value for money overall.

METHOD AND SAMPLE

The sample was designed to reflect a nationally representative profile of Scottish Water's customer base, with particular focus on sub-groups defined by Consumer Focus:

- urban/rural
- vulnerable social groups
- SMEs including domestic level micro-enterprises.

A programme of focus groups and depth interviews was carried out taking into account the following recruitment criteria.

Gender, age	<i>All domestic groups mixed sex, split under/over 45</i>
Council Tax band	<i>Domestic respondents recruited by Council Tax band representing national distribution; self-selecting social class</i>
Vulnerable groups - elderly, low income, disability	<i>Including those on benefits and with children/other family members with disabilities</i>
Responsible for paying water bill	<i>All domestic respondents paying council tax; all business respondents actively in charge of finances</i>
Business - large, SME, micro-enterprise	<i>Size of business determined by those paying above/below £2k for their water/waste water</i>
Region, urban, rural	<i>Urban to include town and suburbs, rural to include farms & villages</i>

The sample comprised:

8 focus groups and 2 depth interviews with Domestic customers

3 focus groups and 3 depth interviews with Business customers

U = Urban R = Rural

DOMESTIC	Location	Age	Council Tax Band	Other Criteria
Group 1	Aberdeen (U)	Under 45	C, D	
Group 2	Edinburgh (U)	Over 45	A, B	
Group 3	Isle of Bute (R)	Under 45	A, B	
Group 4	Kingussie (R)	Over 45	C, D	
Group 5	Aberdeen (U)	Under 45	A, B	Vulnerable, with family
Group 6	Crieff (R)	Over 55	A, B	Vulnerable, including pensioners
Group 7	Glasgow (U)	Under 45	E,F,G,H	
Group 8	Crieff (R)	Over 45	E,F,G,H	

BUSINESS	Location	Size
Group 9	Glasgow (U)	£2k+
Group 10	Edinburgh (U)	Under £2k/micro
Group 11	Isle of Bute (R)	Under £2k/micro
Depths 3-5	Harris, Hawick, Ayrshire (R)	£2k+

Businesses included a range of sectors covering retail, construction, leasing, automotive, tourism, leisure, food manufacturing/packaging, printing, catering, pharmacy.

Stimulus materials

During the planning stage of the research the Topic Guide was revised a number of times to incorporate various stimulus materials designed to prompt a deliberative approach to the issues under review. Ultimately the sessions were structured to explore what people considered to be acceptable in terms of water bills, especially at a spontaneous level, underpinned by economic resilience factors and their knowledge and understanding of Scottish Water and its activities. This was supported by a discussion around current service standards and where customers saw opportunities for improvement.

The materials are illustrated and referred to throughout the report.

OVERVIEW OF FINDINGS

Domestic Sector

Rising bills were making some impact on consumers' lifestyles, notably lower income groups and particularly those on benefits. Examples of savings being made on outgoings included reducing household grocery bills, switching energy suppliers, cutting back on luxuries and treats and reducing travel (mainly rural).

Within daily economies and budgeting water charges were not top of mind and featured less on the financial outlook than gas/electricity/oil. Few had ever given it much consideration:

- It is semi-invisible by being incorporated within Council Tax and few bother to look at the breakdown to identify the specific cost of water
- The majority of people are completely satisfied with the quality and reliability of their water and if there have been problems, these have generally been efficiently resolved
- Scottish Water has a very low profile as a company and rarely gives people cause to question its operation or profitability
- It has no reputation for delivering unexpected/outrageous/unfair price rises - unlike gas and electricity
- There is no scope to switch water supplier and limited options for discounts
- When told what their water bill is some are surprised based on lack of previous awareness, but nobody actively resists the amount they are paying

- On reflection they consider what they are getting for their money and the operational cost involved to be good value
- As a monopoly brand there is no animosity towards Scottish Water, which is either without identify or draws subconsciously on Scotland's positive water imagery (fresh, clean, natural, copious) and national pride in this.

The concept of a price increase was accepted as an inevitability and there was no immediate resistance to this. Very few people knew how much their water bill was or what a price increase might entail, but if asked expected a rise of between £10-£20 a year. This was felt to be a manageable amount for now and the next few years and would be justified by Scottish Water's own costs rising and the generally low knowledge of the scale and scope of Scottish Water's activities. There was some resistance to having to find money to meet 'yet another' bill increase, though this was more a statement about bills in general than a valid reason to specifically reject a rise in the water bill.

Spontaneous response to the scenarios board showed the majority choosing C in line with inflation followed by B (usually the more financially aware or sensitive). When the actual amounts of money were discussed these were recognised as relatively small and the difference between B and C became more opportunistic than an issue of financial hardship. A was not a frequent choice due to the prospect of no improvement and it was agreed that for prices to rise above inflation to D or E there would need to be well supported reasons for the increase.

Exploration of price/service tradeoff was undermined by the fact that no information was given to respondents in terms of what actual improvements

might mean. This invariably proved to be a limiting factor as people found it difficult to place a value on something that was not a clearly defined or offering a specified target. Thus Scenarios D or E were not actively rejected but rather not considered due to lack of information about the benefits, causing people to effectively default to a lower/less risky scenario.

Following discussion about current service standards and potential price rises in relation to improving these, most respondents still chose to stay within a price reference point close to or slightly below inflation, but invariably higher than where they were before. This resulted in an overall majority for scenario C. This rise however was primarily attributed to people having a bit more knowledge and understanding of Scottish Water's activities and what their bill covered rather than a response to service improvements, given that they found it hard to relate internal performance measures to tangible customer benefits. The overall feeling was that while it might be good to improve/upgrade this was not an urgent requirement as there was no evidence to show the benefits, nor any understanding of the cost/work required, so their interest was less focused on the outcome than what they were learning.

In this context the research should conclude that people were being driven towards price rather than choosing service improvements providing their current standard of water provision/removal was maintained. This suggests that without knowledge of what Scottish Water's aims or intended improvements might be people will focus on a monetary amount that they see as sensible and affordable (ie inflation-related) and accept this without issue.

There was no evidence of resistance to customers' bills going towards ensuring that everyone in Scotland was well serviced (described in a previous

report as 'altruism'). Customers understood that investment in the system at a broader level (ie beyond any personal issues or experiences they might have) would always be necessary and that it made sense to support this.

Given the passive satisfaction with Scottish Water and its service the role of the Customer Forum was acknowledged but not widely commented on.

Business Sector

Water was seen as the 'third utility' behind electricity and gas. While prices were known to have risen fairly significantly in the past 5-10 years, water was considered less of a financial threat because large unexpected price rises were unlikely and/or could be budgeted for. Some smaller companies had issues with fixed charges and 'extras' and could resent having to pay business rates for effectively little more than domestic consumption and were the least likely audience to consider water as value for money.

Knowledge of ownership and structure of Scottish Water was mostly vague and contact with Business Stream limited. None considered they could change their provider although welcomed the concept of competition. There was genuine interest in a service providing free advice how to reduce their water costs, notably given their own tough economic circumstances.

As with the Domestic sector, spontaneous reactions to a price rise were accepted as inevitable but not financially critical to their business, so long as they were reasonable (ie inflation-related). Anything above this would need to be explained/justified in terms of what Scottish Water intended to and the benefits/ROI to the customer.

However on discussion of the scenarios and service standards a level of cynicism emerged towards a potential price rise, based largely on what qualified an improvement versus a repair/ongoing maintenance already covered by their bill. In response, irrespective of the services offered the majority chose to remain at A or B until they understood exactly what 'improvements' would represent and proper aims and intentions were presented for them to evaluate.

In the absence of these, and dismissal of the value of the 100 points exercise, no firm conclusions could be drawn from the business research in terms of what might be acceptable to them in terms of price/service tradeoff. It was however noted that increased engagement with customers and a clear explanation of Scottish Water's aims and priorities would be of interest for further discussion and evaluation. The option for further debate with the Business sector is given in the Conclusions section of the report.

DOMESTIC CUSTOMERS: MAIN FINDINGS

General context around lifestyle, cost of living and bills

All sessions opened with a discussion around general household expenses and the effect of the tightening economic situation. Those feeling the squeeze most acutely were predictably those on lower incomes, with particular concern amongst those on benefits in light of the forthcoming cuts. At the most vulnerable level, single mums were juggling payment of one bill against another on a weekly basis and struggling to meet the needs of their children, fielding letters from debt collectors. (Further contextual detail on the Vulnerable sector is given in Appendix 3.)

Pensioners in particular were very aware of bills going up while their pension stayed static and redundancies and pay freezes were forcing a rethink in terms of lifestyle. Gas, electricity and fuel were the most likely costs to be mentioned as problematic (notably fuel for rural householders) along with food and certain incidentals (lottery tickets, stamps, bus fares).

"Gas and electricity, they're always on the move. Massive profits and old age pensioners are struggling to keep warm, it's a shambles" (Aberdeen Under 45 Vulnerable)

"It's not just the one going up it's all the others going up too, your pension doesn't go up by that much to cover them all" (Crieff AB band)

Among others there were claims of cutting back on nicer things in order to afford the basics. Typical examples were to have started shopping at Lidl/Aldi, trading down on food brands or to be sticking to a weekly food budget in order to be able to save for holidays or labels/tech for the children which had

not been necessary before. Nights out and cultural trips were being curtailed and expenditure on hobbies/ voluntary work compromised, and people were seeing their own or others' self-employed income affected.

"I've been out for lunch just now and the soup was very well watered down, people are doing that sort of thing to cut costs" (Crieff 45+ Vulnerable)

"I run archery clubs in Perth, they're wonderful but for me to go there three times a week costs me £15 a week. The restriction now on me is how long can I keep doing this, nobody pays me back" (Crieff 45+ Vulnerable)

Countering increases, there was recognition that mortgages and insurance products had come down ("*You can shop around and get it for buttons*"), electronic items/communications and supermarket alcohol were cheaper, the TV licence had not increased and 'cheaper' dual-fuel bills could be arranged. In more affluent pockets there was little sign of any particular hardship as a result of the recession, with economies driven more by lifestyle changes (giving up smoking, children starting school and no longer needing expensive childcare, moving to a bigger house, working from home so no travel costs).

Council Tax

Given that water costs are included in Council Tax, respondents were asked in a general bill context about what they thought it covered and the impact of payments. Most home owners were paying on a 10-monthly direct debit basis (enjoying the 'free' 2 months a year); or it was deducted from benefits at source, or paid along with other regular bills at the post office. As a payment it was seen as non-negotiable and something of a legitimate grudge, albeit not always with a clear sense of what it covered and guesses/assumptions ranging across the full range of Council services. Discussion focused primarily about

the state of the roads (following much recent bad weather), streetlighting and infrequent bin collection, and general complaint about the inefficiency of services and financial management (Council tenants in particular).

Regarding price, people knew that Council Tax had been frozen in Scotland for the past 2-4 years. While they accepted that a price rise was probably due this was invariably not felt to be justified due to the poor level of service that was received. (One or two made the connection that no increase meant there was less money to invest and therefore improve, but it was still felt that all Councils could be much less profligate and self-serving.)

"In real terms if they're not putting it up by the rate of inflation the service you get diminishes as well, you're cutting back in real time the money they have to spend. It's a Catch 22, it's a difficult one" (Aberdeen CD band)

Water/waste water charges

In every group it was spontaneously mentioned that water charges were within Council Tax, although probably this was not fully realised by all respondents. If people knew how much they paid for their Council Tax they certainly did not know how much they paid for water and guesses ranged widely from £35 to £700 a year. The more aware knew that water prices had not changed in the past 2-4 years (in line with static Council Tax), but otherwise little was known or thought about water at any immediate level. No one considered it to be in the major worry bill category, largely due to its invisibility within Council Tax and the absence of any news or noise about price increases. Whereas gas and to a lesser degree electricity were recognised as always rising at a frightening and unfair rate, apparently purely

to profit the management or shareholders, water did not attract any comment in this respect other than a general grumble as something else to pay for.

"You're not thinking about it every week and budgeting every week, right water what's that going to cost me, it's food, gas and electric that you're thinking about" (Aberdeen Under 45 Vulnerable)

"It's not a conscious amount you're paying, it's just part and parcel of your council tax" (Edinburgh A/B band)

"I don't feel as much anger towards water as I do towards the gas and oil. I feel we have part ownership of the water, all the other utilities are owned by people abroad and we're at their mercy" (Crieff EFG band)

No one had any clear idea about who was responsible for setting water prices with suggestions including the Council, the Water Board, Scottish Water, the Government and SEPA (on the waste side). Also no one knew for sure whether Scottish Water was privately, publicly or internationally owned and what its position on profit might be, although it was generally assumed that there would be directors benefitting financially somewhere along the line. Even though water is billed within council tax and the council was broadly thought to have involvement, respondents still did not necessarily make the connection that it was a publicly owned company. The lack of awareness was reflective of the low profile of water and Scottish Water and the minor/non-existent degree of thought given to its delivery and management, and satisfaction with quality and reliability.

"I would have thought the Scottish government would be involved somewhere along the line. Is it a separate crowd that do the maintenance of the pipes and that, is that the Council or Scottish Water?" (Edinburgh AB band)

"I thought Scottish Water went private years ago ... no one really knows if it's funded or subsidised by the Government" (Edinburgh AB band)

"Were they not terribly affected by Brussels, you wonder how much load there is to bear through complying with European standards" (Crieff EFG band)

"As far as I know we're still under Scottish ownership, we own it as in we the tax payers of Scotland" (Crieff EFG band)

On prompting, people did not have difficulty in recognising that their water bill went towards supply and maintenance of the system including water mains, repairs and maintenance, purification, reservoirs, dams, drains, sewerage and expansion and modernisation of the overall operation and on balance found what they were getting for their money seemed reasonable.

"The simple fact we don't know how much we pay for the water means we must be happy with it. They're efficient as far as we know when you've not had problems or dealing with them. (Edinburgh AB band)

"You would have to have confidence in them because their track record seems to be ok, you can only go on what they've done in the past and will hopefully be maintained in the future" (Edinburgh AB band)

Relationship with water

A small number of respondents claimed to try and be economical with water, encouraging family members to turn off taps and only half-filling the bath or kettle, although they tended to be older and instinctively inclined to save on everything.

More often, the absence in Scotland of any culture of water conservation (due to the wet climate) together with its unlimited supply for a set cost meant there was little association with saving water = saving cost and therefore lower recognition of its actual value as a resource. This said, there was a strong emotional value attached to water based on recognition of its superior

quality (notably compared to England) and inherent imagery as clean, fresh, natural, abundant and 'ours'. Several also drew parallels with water quality abroad.

"Never think about it, in Scotland it's something you completely take for granted. We don't have hosepipe bans, the water's always clean and fresh, because the water is so good I think you just accept it and you're happy to pay" (Aberdeen C/D band)

"You can use as much as you want any time, I'm kind of proud of our water" (Edinburgh A/B band)

"When you look at it as a pound a day and think what you use, washing machines, showers, wash your car and all that, I think where we are just now is a very competitive price" (Edinburgh A/B band)

"Water is one of the things you don't think of because I think most of us appreciate we don't have a problem with our water, the drinking water is fine and unless you've got a problem within your own flat you can be quite positive about the water being pure and how it's provided" (Edinburgh A/B band)

"You'd probably think about it more if you did live down there in London, all the limescale and that to deal with, you'd think what am I paying for" (Aberdeen C/D band)

On being shown the actual cost of water the majority were prepared to recognise that what they got for their money was good value, particularly when they realised that it also included waste (not often spontaneously considered). For most it was the first time they had actually realised what they were paying and reactions were of interest or surprise when comparing it to what they had originally estimated, but the tone was more of curiosity than criticism. Only a small number of respondents reacted negatively, based on exceptionally low expectations of what their water cost, the percentage it made up of their council tax or an irrational expectation that water should somehow be 'free'.

"I think it's fair. I'm happy the way it is so long as they are doing their maintenance" (Crieff A/B band)

The overriding impression therefore was that water is in fact good value for money, based on its high quality, constant and unlimited availability, general reliability and the fact that you had little cause to ever give it thought. There were however complaints from two sections of the sample:

- Council tenants from the Vulnerable groups who seemed to suffer from cloudy/poor tasting water and low pressure more consistently than others, although was likely to be due to the standard of the plumbing within the buildings rather than the water at source.
- Rural respondents in Crieff and Kingussie where there were a number of comments about water not tasting as good as it used to since Scottish Water had installed new local processing plants - assumed to be complying with European standards but to the detriment of the taste and clarity of the water. (Again however complaints seemed to be louder from Vulnerable council tenants.)

Spontaneous reactions to a price increase

The concept/prospect of a price rise was generally met with a sense of acceptance and recognition - inevitably bordering on resignation - that 'everything goes up' so presumably water would too. There was no particular outrage or rejection (as there might have been with other utilities) other than being 'yet another' cost adding to the overall amount they needed to find to pay their bills, which was of particular concern for the Vulnerable sector.

Although people did not know why the price might go up (*'the water will still be the same'*) there was an assumption that it would go towards Scottish Water's running costs, day-to-day maintenance or (topically) handling increased flooding. In the context of the conversation about the cost of living one or two considered that that an increase in water bills was somehow 'unfair' when everything else was going up, notably gas and electricity, though without taking into account that price rises by other utilities relates to their own cost structures and is nothing to do with Scottish Water.

"Probably an increase will be in the offing, isn't everything? (Aberdeen CD band)

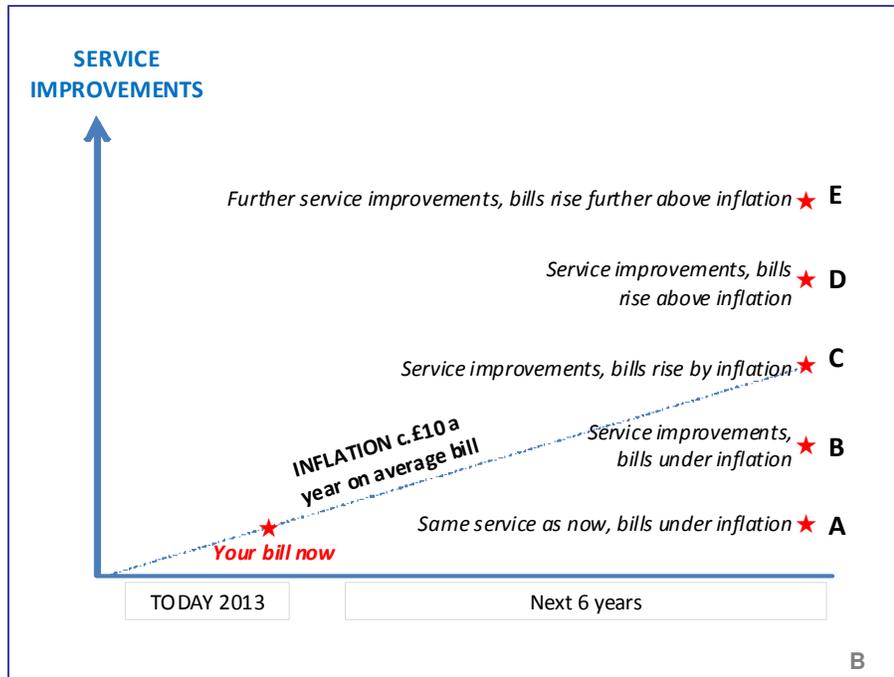
" A price rise doesn't affect me by itself but only in relation to all the other bills going up" (Edinburgh AB band)

Where respondents were asked to spontaneously name the amount they might reasonably expect and cope with, this was invariably given as in the region of £10-£20 a year or 2-3%. Inflation was often given as a marker against which to set a reasonable increase, and there was a general agreement that any price increase should not go above this. At this immediate point there was no evidence to suggest that people were taking into account anything other than a routine price increase to maintain the level of service they were currently receiving, and there was no consideration given to the scale or format of Scottish Water investment.

"Life is getting difficult for a lot of people where you're not getting wage increases, food is going up, petrol, so many costs are going up. An essential utility like water shouldn't really go up I don't think any more than inflation" (Crieff, EFG band)

Reactions to Scenario board

Respondents were shown a diagram illustrating 5 potential price rise scenarios.



It was explained by the moderator that the research concerned helping the Regulator on the pricing of water services and understanding what customers expect from their water company in terms of price and service. The diagram was intended to show how price changes would relate to how much Scottish Water would invest in improving its services over the next 6 years.

The board immediately met with questions about what was meant by service improvements and put the focus of the discussion firmly on inflation. Factors affecting responses to the different price scenarios were:

- satisfaction with their current service
- low/no knowledge about Scottish Water
- resistance to rises above inflation without justification in the current economic climate
- interest in below-inflation rises if their current service is not compromised, or there is no risk of standards declining in the future
- recognition of the fact that Scottish Water needs to meet its own bills to ensure continued high quality service, which are likely to be in line with inflation
- the need to know what benefits service improvements related to before they could make a considered assessment of value for money.

The overall view was that prices should not rise above inflation without a clear explanation of what was involved, but any rise up to and including inflation was acceptable given Scottish Water's need to cover its own rising costs in order to continue to deliver a good quality service. It was understood that this would be an increase over the next 6 years which at the current rate of inflation people appeared prepared to accept when translated into actual amounts of money.

The lack of definition of what service improvements represented in customer terms meant that people were somewhat left to guess what choice they were making. A was considered a slightly 'risky' option and D and E were not referred to largely on the basis of the unknown. While people were mostly prepared to accept C - possibly as the safe middle choice - there was support for keeping a price rise below inflation at B.

The general nature of the scenarios also compromised to some extent the objective of the exercise in terms of assessing price in relation to service improvement. In their evaluation all people could do was look at what inflation-related price point they would be prepared to support in return for the service they currently knew, and created a more one-dimensional debate around price rather than tradeoff.

i. Price

Main considerations in relation to **price** included:

- Dramatic rises in other utilities (notably gas) putting pressure on household finance and the additional impact of a water increase
- Wages/benefits not rising in line with inflation
- The possibility of pay rises for senior management/profitteering
- What extra they would be getting, and lack of knowledge around this
- The lack of choice or control given Scottish Water is a monopoly supplier
- Speculation about Scottish Water's current internal efficiencies
- Consideration of what additional income might cover in terms of Scottish Water's own costs
- The role of inflation as a general marker vs how much Scottish Water might actually need
- The amount of money that would be generated and what this would/could be put towards
- The likelihood of knowing there had been an increase given its inclusion within council tax
- Evidence that improvements would be/had been carried out
- The risk of less investment into the system -> poorer service
- What might happen in the future and the concept of a capped payment

- The acceptance of more vulnerable groups towards an increase they cannot control
- The prospect of a 2-3% rise compared to gas/electricity (6-8%) and if this sounds reasonable
- The relatively marginal difference in money between the scenarios, and the amounts themselves.

Within the overall climate of acceptance of a price rise there was nevertheless some sense of cynicism that at the end of the day you had no choice other than to pay what was charged because water was not something that was metered and you could cost-control, or switch to another supplier if you were dissatisfied for any reason. A small number of more financially aware respondents (not necessarily the poorest) stated they were happy with what they had at present and saw no reason for a price rise unless it was shown that Scottish Water was already maximising its (speculated) internal efficiencies.

"There is a monopoly of the water supply in Scotland, there is no competition. So Scottish Water could come to us and say to us tomorrow 10% rise, and if you don't like it you've got no water. Then another year they could come to us and say well we've had a bad year so we need to put it up again" (Crieff AB)

"If they want lovely new hydro plants and everything, sorry you can't have it would be my answer to that until we have a reasonable increase in our pension" (Creiff AB)

"I've never had a problem with it, comes out, tastes fine so I'm happy with the service now so if it becomes cheaper and cheaper that's great" (Glasgow EFG)

Also at some stage in every group there was a suspicion that increased bills would mean pay rises for senior management, reflecting the current climate of generic negativity towards high earners (driven by bankers). It should be

noted however that such protests tended to be based on conjecture about what might happen rather than current reality, and negative comment came about as a result of hypothesis and prompting within a climate that is more normally one of neutral -> positivity.

It was pointed out that any increase should reflect the true cost needs of the supplier rather than automatically imposing a price rise in line with inflation '*just because they can*'. Further discussion extended to how much money a price rise would yield for Scottish Water and the need to explain its intentions in terms of justifying the rise and spending the money (although it is doubtful how much attention would be paid to this given the very low salience of Scottish Water and water pricing, and acknowledgement of the fact that they never read anything to do with water in their council tax bill).

Mention was made of a cap on the basis of prices not rising above an agreed figure (eg inflation) over a defined period of time (eg 6 years), or some kind of commitment to not introducing a huge rise after that period was over. No one knew if there had been any kind of cap in place to date other than a freeze on prices in council tax.

While it was agreed that justification would not be necessary for any increase up to and including the rate of inflation, the idea of 'early explanation' was supported in other discussions should the price of water rise significantly (ie above the rate of inflation).

"A steady increase over 5 years with an explanation as to what it's going towards is the best option, I think most people would be quite accepting of it. Rather than announce a price increase announce a cap for the next 5 years,

that way people don't see a bill coming their way they just see a decision having been made and presented as a positive" (Depth)

"It's a mistake where they put up the price by a huge amount then start to justify it, they need to do this in advance. Gas and electricity go up and then suddenly the PR company swings into action to sort out the mess. For example if Scottish Water wanted to put in an 8% increase to build more sewage works to cater for the needs of Scotland it's much better to talk about it now so people can be more accepting. The more they charge the more they need to go to some lengths to carry the public along with them" (Depth respondent)

"We will resent paying unless we know what's going on and we can't see it" (Crieff 45+ Vulnerable)

ii. Service Improvements

The main objective of the process, ie evaluation of price in relation to **service improvements**, was affected by the lack of information in the scenarios about what service improvements meant and would represent in terms of either Scottish Water achieving its aims or delivering benefits to the customer. As a result few could make the link between paying more for an improved service which resulted in arbitrary or hypothetical choices rather than informed assessment.

"There's not a lot of difference between 2 or 3 or 5%, a fiver here and there I'd be happy with 2-3%, C (Crieff EFG)

"It's better if it's under inflation because everything else is under inflation so I would stick about C" (Glasgow EFG)

"A or B will never happen, there's no way, it will be flatline, C" (Aberdeen ABV)

"I would say not above C, B maybe. Presumably they have to go a bit greener so maybe some of their improvements are a bit greener, I don't know how a water company could go greener but perhaps why they need to spend more money" (Aberdeen CD)

"C, right in the middle. Though I'd be happier with B because my wages are under inflation, I think they should look at that before they automatically say inflation" (Edinburgh AB band)

"I would ideally sit at B because it's saying service improvements but I'd have to know the details as to what the improvements would be because I'm happy with the service now" (Aberdeen CD)

"B I suppose sounds the best because there's an improvement in the service and it's still under inflation, whereas A is the same service. You don't really know what you get but if they're saying there's more than you get then I'd maybe be more inclined to say B" (Glasgow EFG)

"It depends on what you mean by service. C is fine but if you go to A and get the same service there's no point spending more money than I need to. So I would say A" (Aberdeen CD)

"I'm A but I can understand C because it doesn't seem to be profiteering at that point because everything is going up for them too, the infrastructure" (Glasgow EFG)

"I don't think there's anything wrong with the service so I'm not inclined to say what could be improved to justify why it would rise above inflation. Anything that's above the cost of living you ask why and it would have to be fairly significant to justify" (Glasgow EFG)

The debate was further confused by query over what was meant by 'improvements' in relation to maintenance, and how much of any price increase would be given to basic 'replacement, refurbishment and repair' as opposed to investment in new facilities. (For example recent pipe upgrade work in Bute was regarded as ongoing maintenance rather than a specific service improvement, even though it may have led to a better service in certain respects.)

On prompting, respondents concluded that service improvements would cover upgrades to the infrastructure but not necessarily how that might affect them personally, other than Scottish Water taking on responsibility for the pipes between the road and their house or a more vaguely 'green' approach. Potential price rises were allocated to Scottish Water's own rising costs for wages, vehicles, ongoing repairs and maintenance and putting in new pipelines, but less mention was made of bigger picture issues such as the environment, energy generation, technological investment etc.

The overall 'count' resulted in a majority for C, expressed either as C, or 'inflation', or a percentage (2-3%) or amount. This was influenced in part by Vulnerable respondents tending towards C as part of their general acceptance of having to deal constantly with bills and not being able to do anything about it, thus driving their expectations of an inflation-related increase.

The second preferred option was scenario B, based on the offer of some improvements while remaining below inflation. B was also chosen on the basis that they did not know what 'service improvements' might mean and therefore would go for a cheaper option until these were explained (even though this represented a relatively minimal saving in actual money terms).

A small minority chose Option A for financial reasons and a degree of stubbornness about why there should be an increase until they were told why, although acknowledged there could be a risk factor if there was no extra money to invest in the system as a whole.

All responses however were underpinned by a sense of uncertainty about what was actually being offered and therefore their ability to evaluate the scenarios with confidence.

"I can understand the message it's giving but it's quite vague, there's no detail into what the improvements are so you need to see what they're intending" (Aberdeen CD)

"If you knew exactly what you were getting, they're saying you're getting this now and this is what we're planning you'd have a better judgement. I'm quite happy with my water, switch the tap on and it just comes out, take it for granted" (Edinburgh AB)

"I don't really know what it offers at the moment or what you could improve on. It obviously runs quite well because I'm unaware of it" (Glasgow EFG)

Evaluating price/service tradeoff

Respondents were introduced to 12 service standards via a series of boards outlining the services provided by Scottish Water with an indication of the rate of negative incidences (see Appendix). Having read and discussed these they were required to mark on a form:

- Whether they felt the standard achieved was fine as it is or needed improvement
- Allocate up to 100 imaginary points to 'spend' on improvements, and then be told what scenario their expenditure represented
- Indicate whether their choices were to benefit their own personal needs or the general customer population.

Fine as it is/Needs improvement

Responses to this exercise depended on the level of personal experience people/people they knew/local communities had had of negative incidents, and their interpretation of the numbers. Some definitions were not

considered completely clear (carbon emissions, leakage) or with such low odds that evaluation was not necessary (supply interruptions) and respondents could struggle with the logic of assessing how big a problem something might be.

"Looking at it it was like you're playing a percentage game, if out of 10,000 people it affects 4, am I likely to be one of those 4. If it was higher you're more likely to think it could be me, so you're evaluating it on the numbers rather than the issue" (Aberdeen CD band)

As there were no aims or targets for people to evaluate the main benefit of the exercise was to enlighten people as to what Scottish Water did actually provide, and served to generally reinforce the view that water bills were reasonable and good value. The overall feeling was that while it might be good to improve/upgrade this was not an urgent requirement as there was no grasp of the immediate benefits, so their interest was less focused on the outcome than what they were learning.

"Our eyes have been opened. When you've got the statistics down in front of you it's a different kettle of fish. It shows you what you're paying for whereas before you would think it's just another charge" (Edinburgh AB band)

"I think if you know where the money is going you don't mind spending it" (Crieff EFG band)

Given the very subjective nature of the evaluation no patterns were identified in terms of who chose what or why. Based on a topline analysis of how the forms were filled in, the rank order of areas identified areas for improvement were:

Pollution - Customer service - Odour from sewage works - External flooding incidents - Leakage in pipe work - Sewers flooding into properties - Long term supply interruptions - Water discolouration - Energy efficiency and carbon footprint - Low water pressure.

(See Appendix 2 for comments on responses to the 12 services.)

100 Points

This exercise was approached in various different ways as respondents could find it difficult to understand and execute. This was due to the unfamiliar references to how they viewed water 'service' - ie technical detail rather than simply water in/out; the often remote and confusing statistics which related to service failure when they were being asked about service improvement; and lack of knowledge about the cost or logistics of what improvement would involve. Specifically in relation to the post points assessment, on being shown board Q respondents often felt tricked or manipulated that their choices had ended up as being above inflation when they had already rejected this option.

HOW MANY POINTS DID YOU SPEND?	
★ E	75-100 points
★ D	50-74 points
★ C	25-49 points
★ B	1-24 points
★ A	0 points

Broadly what the exercise showed was that people could choose to 'spend' a high number of points on improvements, but invariably once they knew how much they had spent they would reduce their expenditure to reflect more closely the scenario they had originally chosen. If respondents were shown the value of the points before the exercise, they limited their expenditure to match the original scenario.

This would indicate that people had a figure in mind above which they were not prepared to rise, although the lack of definite goals or benefits may well have limited their interest in choosing a higher price point. As such the exercise gave a loose indication of what customers might like to see money spent on, but did not produce any conclusive data to support any trade-off they might be making in return for lower prices.

"Service and price go hand in hand. If we get this we get that, you can't have better service without having to pay for it" (Aberdeen CD band)

"Who would pay more when they don't know what they're getting? (Bute CD)

The only respondents who were prepared to remain at a higher expenditure level (D or E) based on their choice of points were either more affluent and/or open-minded to progress, or on benefits meaning they did not pay council tax and to whom any price increase would make no difference.

Personal/General

The purpose of this question was to test the concept of 'altruism' and people's willingness to pay for improvements affecting other people. 'P' was usually

given in the case of past personal experience rather than any sense of protecting their own future: the majority of answers consistently rated 'G' for general, reflecting people's understanding of the need to ensure that Scottish Water is able to provide high quality standards for everyone and that a negative incident did not affect them personally in the future.

These views were confirmed in the showing of a summary board listing reasons that would justify an increase.

1. Sort out problems you or people you know have experienced
2. Insure against things going wrong with your own supply in the future
3. Maintain and improve the overall infrastructure so everything works as it should for everyone
4. Enable Scottish Water to keep investing in the water system with high tech equipment and new developments (recycling, energy generation, managing climate change etc)

The most frequently chosen reason was 3, supported equally by 2 and 4. High-tech and new developments (4) were acknowledged as being important although issues such as recycling and climate change were felt by some to have been initiatives for many years and there was no evidence of Scottish Water taking a leading stance on these.

"We wouldn't like to be in their position, so the ones we think are priorities are generally ok to say my money will go there" (Aberdeen CD band)

"That's part of the service. It might be you next week" (Edinburgh AB band)

"If I go to Glasgow at the weekend I want the same water there as I get here. Their money will come to my problems as well" (Crieff AB)

'Final Answers' (scenarios revisited)

Towards the end of each session respondents were asked to report on their final choice of scenario, compare it to where they first started and decide on which they would like to see recommended. Respondents either chose to remain the same or rise a level based on their increased understanding of what Scottish Water did and how their money was spent (as noted this increased knowledge was probably more of a driver towards a higher scenario level than improvements to the service).

This resulted in a majority choice of scenario C, with others remaining at B either on principle or until they knew more about the improvements.

Ultimately the amount of money involved to support an inflation-related increase was felt to be affordable and acceptable over a 6-year period and this would not be seen as unfair or outrageous, notably if put against the 6-8% rises seen for gas and electricity. Overall their evaluation was that the service as they experienced it - ie water in/waste out - was very satisfactory and one group went as far as to suggest Scottish Water should be applauded should it raise its prices by only inflation, positioning it as the hero of the utilities sector for striving to be fair and productive.

"I think the service is good and if they can sustain it I can live with £10, I'm not really going to notice it" (Edinburgh AB band)

"I was A before because I didn't know what the service is, I am quite happy to stay at B because I don't think the service is that bad" (Glasgow EFG band)

"I'm quite happy to stay with C rather than A because the poor people up in Stonehaven who have been flooded, you can bet your bottom dollar that these people are looking for improvements" (Edinburgh AB band)

"I accept it's got to be maintained and it's got to be safe, I think it's about keeping it on that level, it's not going to improve and it's not going to deteriorate. So if they can tell me what they need to achieve that and it's not a ridiculous amount of money then I'm happy with that" (Crieff EFG band)

D and E were rarely considered as options at this stage due to the higher amount of actual money and the need to know specifically what it would be funding; also it was generally felt that anything above inflation could suggest profiteering (aka gas in particular) unless assurances could be given to the contrary. As noted the debate was limited by the lack of information/benefits about what above-inflation charges might go towards so in research terms D and E were not given the opportunity to be properly explored.

Customer Forum

The existence of the Customer Forum was introduced to people via a board stating its role:

customer forum
The best water service for the fairest price

Experienced people selected to represent customer interests and who will help to:

- ➔ **negotiate a deal with Scottish Water on the price you should pay for water**
- ➔ **negotiate what areas of service should be the priorities for Scottish Water**

They want to know what you want most about future prices and services

This was generally greeted with nods of approval although there was not a great deal of comment -

- people were generally satisfied with their water service and had reached a view on what price rise they felt was acceptable, so arguably felt less need for a pressure group
- there was a limited degree of confidence in what such a body might achieve against a monopoly organisation about which they knew very little in terms of ownership and management.

BUSINESS CUSTOMERS - MAIN FINDINGS

General context around business economy

Nearly all respondents claimed to be finding things a struggle in the current economic climate, notably smaller rural businesses and those involved in the leisure/retail sectors. All were finding it difficult to pass on costs to customers and were making economy measures in some form to create savings including staff/hours cuts, reviewing suppliers, studying internal costs, creating procurement consortiums, downsizing premises, renegotiating payment terms, changing their product/customer focus, not taking holidays, turning heating down/off. Larger companies in the main seemed to find that with these measures they were weathering the storm, but for smaller companies continued issues with financing/cashflow and customer economies were making life challenging.

"I think that businesses are generally not getting a lot more for their product so every increase they get from suppliers is a problem" (Depth 1)

Some larger businesses had invested specifically in water-related economies including push-button/automatic taps, dual flush, off-mains tanks for car washing, recycling cooling tanks and had formal programmes in place to improve efficiency and cost reduction. Others had taken advice on how to reduce utility costs but could find that the consultancy price cancelled out much of the saving, and for smaller businesses the time and effort involved in changing suppliers did not always yield a net gain.

*"I think it's something you do every now and again. You're busy at work and these things get pushed aside a little but then suddenly you go how much?"
(Edinburgh SME)*

Water costs

Gas, electricity and heating oil costs were high on the list of significant bills and energy companies widely thought to be ripping off customers. Water was positioned more as the 'third utility' with people less likely to study their bill in any detail or know specifically what they were paying, partly because it was less threatening in terms of amount or large unexpected price rises and also because it was not something you could challenge or negotiate. One or two respondents had had frights from irregular bills or paying for excess overflow, and there was a belief that if you went over your set amount it would dramatically increase the bill, otherwise there were no particular concerns or issues that were not felt to be in hand.

"You would never think right we've got to cut costs so first we'll look at the water bill" (Depth 2)

"The lesser of the three bills" (Edinburgh SME)

"Gas and electricity are blatantly ripping us off, water's maybe a bit more subtle" (Edinburgh SME)

What did annoy smaller businesses was the relatively high fixed charge in relation to the amount of water they were using and 'add-ons' such as roof drainage. Those who were using a domestic-level amount of water particularly resented the fact they were being charged business rates for effectively the same service as domestic customers.

Water costs were known to have risen fairly significantly over the past few years (estimated 15-20%) and it was assumed that prices were fixed by Scottish Water, Business Stream and possibly the council or environment minister, with perhaps some input from an Ofwat equivalent. Ownership of Scottish Water was debated although believed to be within the public sector sphere (quango, ex-local authority?) and it was generally felt to be a good manager of water services.

All those interviewed were with Business Stream which was known to be profit making. It was understood or assumed that Scottish Water supplied Business Stream who then set the price of water to businesses *'because they have the monopoly'*. Across the sample there was low or confused awareness about the existence of other suppliers (as with gas or electricity) and no one felt they had any option to change their water supplier. One or two respondents believed they had heard something about water 'opening up' although were not confident about this, and there was general support for the idea that competition might be a good thing to introduce to the market. Few had had any contact with Business Stream other than where there had been a problem and had been treated with varying levels of efficiency.

"They don't feel or behave like a normal supplier. Normal suppliers come and see you and ask how you're getting on whereas they wait until you've got a problem" (Depth 1)

"Business Stream are a profit-making organisation, it's as simple as that. There is infrastructure needing renewed because it's not been done for years but they're still making a load of profit out of us"

"I think Business Stream have pretty much of a monopoly up here, there are one or two alternatives but you just stay with what you know"

"I think when Business Stream was set up they had the monopoly for x amount of years but I think that's coming to an end soon and there are other companies coming into the market"

"I can't turn round and say I'm not happy with that service I'll go to another supplier, there isn't another supplier" (Edinburgh SME)

Spontaneous reactions to a price increase

On the subject of a potential price rise there was acknowledgement that everything goes up and an inflation-related increase would not be unexpected or unreasonable. As noted, water was not felt to be a problem bill and there were no expectations of an unrealistic or unmanageable increase.

"RPI + 1, about 3% depending which month it's taken on" (Edinburgh SME)

"I wouldn't expect a company to improve their services and set their bills under inflation. If they're looking to make a profit they'll have to be at least in line with it" (Depth 2)

However following the introduction of the Scenario board, fairly quickly they began to take a much tougher stance and an emerging cynicism contrasted

with the relatively accepting views of domestic customers. The immediate response was to ask why and what they would get in return for paying more in order to have the value for money debate, and lack of information appeared to fuel frustration and negativity.

"What kind of question is that? You turn on the tap and it's there, that's really all you need. I can't think of any improvement. Can you choose the colour of your water? Musical taps?" (Edinburgh SME)

"By service improvements what do they mean, is that just infrastructure? It's very difficult, are they honestly giving that as all the options" (Edinburgh SME)

In the absence of improvement definition the conversation focused on the fact that Scottish Water should be able to maintain its service without having to increase prices to the customer. This in turn led to reflection as to whether Scottish Water was achieving maximum internal efficiencies or if it was prone to greed/wastage as other utilities and the council were thought to do. Discussion was also influenced by the fact that the customer did not see any major problems and therefore could not envisage what major improvements might mean, other than investments that would yield longer-term benefits for customers. (It should be noted however than in reality not enough was known about Scottish Water to prove or disprove these thoughts and much of the debate focused around conjecture driving dissatisfaction where it was normally not an issue.)

"I feel we are subsidising their inefficiencies – I suppose they could invest in new ways of doing business but they should already be doing that"(Glasgow £2k+)

"You would hope for service improvement below the rate of inflation, that is if they can improve it" (Edinburgh SME)

"I start to feel that like British Rail they have sat on problems for years and now they need to sit up and take notice and it will cost us - and that's not fair" (Glasgow)

"Is this just going on public sector redundancies? In private companies we'd never have that luxury" (Glasgow)

No one could think of or articulate reasons for a price rise and without any specific information relating to positive change could see no reason for prices to go up. Some reference was made to upgrading the infrastructure and responding to environmental regulations but the actual cost/value benefit to the customer was unknown; some considered that any extra money would be used to solve problems caused by neglect and a lack of investment in the past.

Spontaneous reactions to the scenario board were therefore mostly A and B due to the instinctive desire to protect the bottom line until it was understood what was being offered, fuelled by their own current financial pressures and experiences of other (unexplained) price rises. There was no interest in assessing the potential risks that might occur as a result of low investment due to there being no benefits or returns to measure this against.

Evaluating price/service trade-off

As with the Domestic sample, the service standards as presented were received more as performance indicators for Scottish Water and were not seen to relate to what respondents would classify in the context of improvements. One respondent described a price increase to improve these standards as more like a 'tax' given that they were what you expected your water bills to cover anyway, and did not differentiate maintenance from improvement.

All those with larger-than-domestic consumption pointed out that any interruption to supply or internal sewage flooding was unacceptable and was not something they would expect to pay for to avoid. The fact that all the statistics related to failure created focus on negatives rather than goals for improvements, leading people question what was being offered in terms of benefits and ROI. Returning to the Scenario board raised suspicion of past neglect on upkeep (why suddenly raise prices now?) and the general (and sometimes questionable) nature of the numbers - notably 1 in 40/50 years, carbon ratios and leakage - allowed people to feel they would simply 'take the risk' and fuelled a loss of interest in the tradeoff process.

"It's an age old debate in the building industry, is it an improvement or is it a repair. It's a bit disingenuous to say to us are you prepared to pay for a repair to the system that should be in place and pretend it's an improvement"
(Edinburgh SME)

"These are not service improvements to the customer, they're internal efficiencies to themselves" (Depth 3)

As such respondents were reluctant to move from A or B on the scenario spectrum until they knew more about what was being offered and potential ROI. At best, choices ended up around inflation (scenario C) given that it was reasonable to accept that Scottish Water would need to receive this level of increase in order to function efficiently and incorporate a working level of maintenance and repairs. However respondents stated that they would want to know what efficiencies Scottish Water could drive internally before confirming this and how the business plan worked in terms of monies allocated to maintenance vs improvement, often finding it counter-intuitive

that they were being asked to make decisions about internal performance without relevant information.

"What we need to hear from them is what do they really need to invest into, what are they looking for in terms of a figure and on that figure what are they going to basically do. New treatment plants, replace Victorian sewers, a new state of the art eco system - these are things we can have a point of view"

"If they said over the next 6 years we'll make small increases and we could achieve our targets and get to the stage where we've done the vast majority of the improvements I think I would sign up for that"

100 points

Similar difficulties were encountered with the 100 points exercise where respondents found themselves forced into decisions they did not feel equipped to take. Many had high level analytical skill and experience in investment decisions and queried the process of the potential trade-off between increased financial investment without detail of the resulting improvement in service and benefit to customers.

"I struggle with this inasmuch as I'm being asked to say how important this is and to put points against it not knowing how much that's going to have of an impact in cost" (Edinburgh SME)

More success was achieved in the depth interviews where a more open approach was taken to the materials and respondents were asked simply to prioritise what they considered to be important; and also where the A-E scenarios were replaced with a slightly more descriptive explanation of what different price points might achieve. It was noted that if Scottish Water could make a presentable business case for the things it wanted to improve on there

could be a successful degree of engagement in the research process so respondents could properly evaluate the merits of what was being proposed.

Business services

Respondents were shown a number of services identified by Business Stream as of interest. Accurate billing and early warnings were considered essential/givens and for larger businesses smart meters and capacity expansion were of interest. The main area of interest was the concept of free advice on how to reduce water consumption (notably larger businesses) which could in turn lead to investment in system efficiencies leading to longer term savings. In this context it was noted that any significant increase in water price should be accompanied by an automatic offer of this service, effectively forcing a drive for all businesses to be more water-efficient.

"If you're giving people an above-inflation increase in their water bills that's a powerful incentive to reduce consumption, and that's kind of in line with government policy on fuel for cars isn't it. So obviously I don't exactly embrace it but I can see the rationale of having an increase to force us all to try and get more efficient." (Depth 1)

CONCLUSIONS AND RECOMMENDATIONS

1. Scottish Water customers consider their water bills to be reasonable and good value for money with price rises contained. Water is not a problem factor in budgeting processes, notably compared to other utilities, for either domestic or business customers.
2. For **domestic customers**, any increase up to and including the rate of inflation is considered acceptable and can reasonably be sustained over the next 6 years.
3. This assumes that as a minimum their current water service will be maintained in terms of water quality and performance, and there could be some (unspecified) improvements to Scottish Water's internal standards.
4. Any rise above inflation would require an explanation/justification from Scottish Water in terms of what increased income would go towards and evidence of the customer benefits.
5. **Business customers** are spontaneously open to an increase in price recognising that Scottish Water's costs must also increase, if only to cover the rising cost of doing business. In debate, to sanction this they require information about how extra income would be spent, notably in relation to maintenance vs improvement and ROI for the customer.
6. A lack of specific information about the meaning of service improvements and aims, value or benefits prevented respondents making any clear distinction between the individual scenarios resulting in hypothetical choices.

7. Aspects of service identified as having potential for improvement are:
Domestic - pollution, customer service, odour from sewage works, sewer flooding, taste or odour from drinking water
Business - pollution, supply interruptions*, sewer flooding*, leakage
 (*for the vital impact this would have on their business)

8. Choices for these potential improvements are based mainly on emotional responses to the perceived impact of the 'problem' occurring rather than any knowledge of the scale and scope of what would be required to achieve improvement.

9. Although people might not benefit directly from improvements made, there is an understanding of the need to support the running of the service to ensure everyone in Scotland is properly served and positive acceptance of any increase going towards this.

10. Interest in Customer Forum is acknowledged but not forefront in relation to water given current satisfaction and low level of concern about price.

11. Responses to the price/service tradeoff exercises have reflected the limits of using internal performance indicators and language when asking customers about the service they receive both now and in the future.

12. In this context there is a research case to re-visit the sample (Business respondents in particular) with materials that offer more opportunity for informed debate.

APPENDIX 1 - SERVICE STANDARDS TICK CHART

Service and performance that you receive now	Fine as it is	Needs improvement	100 points	P Personal G General
1. Short term interruptions to water supply: <i>Currently a 1 in 40 (year) chance that this could happen to your property</i>				
2. Long term supply interruptions: <i>Currently a 1 in 50 year chance that this could happen to your property</i>				
3. Sewers flooding in to properties: <i>Currently, 4 in 10,000 properties could be affected in any one year</i>				
4. External flooding incidents: <i>Currently, 143 in 10,000 properties could be affected in any one year</i>				
5. Pollution that gets into rivers and other water sources: <i>Currently around 400 incidents a year where discharges cause pollution</i>				
6. Water discolouration: <i>Currently, 50 in 10,000 properties could be affected in any one year</i>				
7. Taste or odour from drinking water: <i>Currently, 6 in 10,000 properties could be affected in any one year</i>				
8. Energy efficiency & carbon footprint: <i>Currently, your water and wastewater services emit 178kg carbon per household</i>				
9. Low water pressure: <i>Currently, 1 in 10,000 properties could be affected in any one year</i>				
10. Odour from sewage works: <i>Currently, 70 in 10,000 properties could be affected</i>				
11. Customer service: <i>Currently, 1 customer in 8 who contacts Scottish Water could be dissatisfied</i>				
12. Leakage in the pipe work: <i>The cost of the water that leaks is less than the cost of making repairs to reduce this</i>				

APPENDIX 2 - RESPONSE TO SERVICE STANDARDS

Supply interruption

Considered to be acceptable and known to have been efficiently executed where warning is given. Very low odds that people found hard or relevant to evaluate; could be another party that has burst a pipe with their works.

Potential disaster for businesses.

"I don't mind that because they're fixing whatever the problem is" (Aberdeen CD band)

"I in 50 years, I'll take my chances" (Edinburgh AB)

"If it happens you expect it to be dealt with. If they're not supplying the water we wouldn't be paying them (meter) so it's up to them to get the water back on. It works to their benefit as well" (Edinburgh SME)

"You can't stop natural disasters but you can maintain equipment so it doesn't fail" (Bute SME)

"6 hours is not a short time if you have customers on the premises, we could have 2000 customers in evening" (Glasgow £2k+)

(6 weeks) "I'd be interested to know how many businesses that did actually happen to" (Glasgow £2k+)

Sewer flooding

Invariably attracted attention as an area for improvement given the horror/emotive factor, particularly for Aberdeen near Stonehaven where sewer flooding had been a problem.

As likely to call a plumber rather than Scottish Water for any water event inside the house, and the council for outside.

"There have been some really high floods and sea level which has obviously brought everything back rather than taking it out and I think that's what's causing the problem" (Edinburgh SME)

"Can you imagine the impact on your business, we sell food and drink so that would be a disaster. I don't even want to think about that one" (Bute SME)

Pollution

Variouly interpreted; for some seemed quite low and for others much too high. Debate about the type of incident and the scale of its seriousness/ effect and how this would affect your judgement.

Most likely to be chosen by rural and more affluent respondents, notably fishermen. Not always understood to relate only to pollution incidents caused by Scottish Water, but a general area of concern. Some view that SEPA would be the responsible party here.

"I put 20 for pollution because that kind of stuff is important to me, wildlife getting damaged" (Aberdeen CD band)

"That's no good, their machinery shouldn't fail, they should check it" (Bute SME)

"A lot of these things would be out of their control, these things happen and you just have to deal with it" (Glasgow EFG band)

Water Discolouration

Older respondents remembered it being much worse in their youth; not many cases reported across the sample. Not a problem provided it is sorted out quickly.

Taste or odour from drinking water

Poorer housing most likely to mention, or where new plants have been put in and now smells/tastes chemical. May also mention cloudy water that takes a few minutes to settle, but no major issue with this. One experience in Bearsden where notices were sent round advising not to drink water. Assume the problem is only going to be temporary or a one-off and then fixed.

"I used to wash my hair in chlorine" (100% bald respondent)

Energy efficiency and carbon footprint

Most very unclear about the meaning of 178kg and reliant on moderator explanation that this is a relatively low amount.

"That doesn't make any sense at all" (Depth 2)

"None of these things are personal like smelly water or low pressure so my biggest thing was energy efficiency. It's the kind of thing I'm into and it's something that could be exported if they become world leader in processing" (Glasgow EFG)

Low water pressure

These figures could be queried and based on the number of respondents experiencing low water pressure (often 2 or more per group) appeared to be relatively low. Probably people were experiencing problems caused inside the building rather than in relation to external water pressure, notably in the case of low-grade council properties.

"I just do something to my boiler and it goes away again " (Edinburgh AB)

"They have a statutory obligation to supply pressure at a certain rate so that shouldn't even be up for debate. If you supply something as a statutory right that's not an improvement in the service, that's something they should be doing anyway" (Edinburgh SME)

Odour from sewage works

Acknowledged as unpleasant, but most likely to be a known quantity before you move in somewhere and should be expected/allowed for. "S**t happens."

"You probably get worse smells from muck spreading on the fields" (Crieff EFG band)

Customer service

Often emerged as a priority due to the apparently high incidence and potential to cause indignation. Slightly confused by the description relating to customer satisfaction figures rather than actual service, implying that more money spent on customer service (rather than improvements to the system) would reduce the number of problems/complaint.

"Customer service - that's not an improvement you pay for, that's something they should be fixing themselves" (Edinburgh AB band)

"That's quite a high number, I assume if they're making contact it's quite a serious problem because your water is fundamental" (Glasgow EFG band)

"Could be dissatisfied is pretty vague" (Depth 2)

Leakage

The explanation around leaving leaks was accepted to an extent but the majority felt that leaks should be fixed to avoid waste and thereby bring down costs. Also held up as an area of concern with people genuinely quite worried that this should be allowed given potential underground/environmental damage over time, and suggested that Scottish Water did not value its resource as much as it should.

"That to me is wrong because if you sort the pipe in the long term it stops the loss of the money" (Aberdeen AB band)

"They're saying it costs them less to lose it than mend it, that doesn't make it right though" (Crieff EFG band)

"This is a statement coming from a company that clearly doesn't value the product they produce. It's not just the leak itself it's the damage they might do under the ground and the knock-on effect of that to the environment and people" (Depth respondent)

"So if they cut down the leaks would our bills come down in theory. Because I would invest more in a bill that comes down in future" (Edinburgh SME)

Flooding

Even though this was not mentioned in the list of service standards many felt this was a high priority given the increasingly wet weather and flooding of roads and houses.

"I think it's something they're obviously looking at very closely because of the amount of flooding that has gone on in the UK, the water tables are all being affected and everything is changing so it's probably something they're very conscious about that they will have to address at some stage" (Edinburgh SME)

APPENDIX 3 - NOTES ON VULNERABLE GROUPS

All living on benefits or pension in low grade council housing/social housing, including disabled, single parents, unemployed or trying to get back to work but querying the logic given loss of benefits

All aware of pending changes to benefits and wondering how they will be affected

Families in particular struggling to meet bills and keep children in the clothes and tech they want, noticing increased food bills; many stories of hardship and fighting the benefits office/council/debt collector, though some know how to work the system

"Mines a juggle, some weeks I don't pay gas so I can pay something else. If it gets colder and I need more gas then I won't pay the tv licence or I won't pay bills"

Pensioners mostly settled in their financial arrangements, but cautious about future money management and keeping track of their budget for extras (house improvements, grandchildren, outings). Can struggle to keep up with 'modern' supplier communication methods ie online/text and feel manipulated by energy suppliers seeing them as a soft target for switching

"It's so complicated now, doing everything online and computerised, it's creating systems that you're up against"

Hardest hit by fuel bills, 'pumping it in' (the card meter); more canny/better off can pay by direct debit and see the discount benefits

Often have contrasting views about water quality compared to better-off respondents in the same area, illustrating inferior water standards caused by poorly maintained buildings/systems

"What I find amazing is how the water in your toilet stops the stink coming back but on a windy night when the water goes backwards and forwards in your toilet, if it goes below the line what a stink comes back from that"

"The water doesn't taste in my house. When I run my bath the water's brown, you get brown minging stuff. That's your boiler, it gets a film all the way round it. Now and again you run it and it's clear then you go and run a bath and it's brown with little floatery bits in it"

"If you put your tap on really hard it goes really cold, if you want it hot you get a dribble, really scorching, and if you go half way through it's luke warm. I can go away and watch a half hour programme and come back and the bath won't be half full. So we just have showers most of the time"

Reference points to water are driven by contact with the council and little concept of Scottish Water as the provider. Utility problems are all with the council and quite hard to keep the conversation focused on one particular service eg talk about water tends to divert to drains and dredging (ie council services)

"I would say about once a month the water gets turned off in our building for some reason. When that happens we'll phone the council and they send workmen out to fix it so it must be the council then is it?"

"We've got to phone the council for anything, water, gas, they send somebody out to look at it and they say yes it is broken, that's a waste of money and all"

"The council have stopped cleaning the drains so they get blocked and there's nowhere for the water to go and people are getting flooded and that, so maybe it should be for the water company to take on that job"

Low/no awareness of how much they pay on water, all included in council tax 'so you don't have to worry about it' or paid through DLA

View a price rise as inevitable but not something they can control, automatically assume it's for 'fatcats' or fancy new buildings and no expectation that their water will improve

Scenarios received as 'fair' and accept that prices will rise in line with inflation without much issue, if improvements happened they would be happy paying more

Not inclined to 'negotiate' with the stimulus materials given experience with all bills/finances tends to show that to protest is to fight a losing battle

"That looks all fair and well but I find it hard to believe what you're going to get. They say oh we'll do this and we'll do this and that and the next thing and I don't believe anybody"

"It's the same as the tv licence, say you'll pay it and you get good programming and you get poo programming"

"You just have to pay it because if you don't pay it you get a debt collector on your tail"

Above averagely able to relate to service standards involving interruption, odour, cloudy/discoloured water, low pressure, pollution (ie debris in the local river), sewage flooding; customer service relates to phoning the council

May question how much will go on improvements vs fixing what needs doing already vs profit, but recognise along with the rest of the sample the need to keep up with investment

"Unless you're on the board of the water board, we don't know as a consumer how much they spend per year or how much they lose, but I don't think you'll ever find a poor water board company".