

Yorkshire Water

A strong financial performance, underpinned by unprecedented levels of operational and customer service, has given the company a strong platform on which to grow by exporting its expertise further afield.

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01 Cleaner rivers To raise greater public awareness of Yorkshire Water's ongoing work to clean up the region's rivers and watercourses, a special Valentine's Day competition was staged to give one lucky couple the opportunity to win a "dirty weekend with a difference" at the company's biggest sewage treatment works! Winners Nikki and Wayne Beazley from South Yorkshire were joined by the media on a tour of Esholt Sewage Treatment Works in Bradford where they learned all about the sewage treatment process and the company's environmental stewardship role.

02 Landholdings To promote greater awareness of its landholdings, Yorkshire Water is currently running an internet based photographic competition. Customers are being encouraged to capture the stunning beauty of the company's reservoirs which will be turned into a calendar. For further details visit www.youvebeenrambled.com

Financial performance

Following an increase in charges in line with inflation of 1.2% on 1 April 2002, regulated turnover increased by 1.3% to £567.0m (2002: £559.8m), just ahead of the 1.1% increase reported at the interim stage. Revenue growth from new customers largely offset the effect of domestic metering in the full year.

The continuing emphasis throughout the business on operating efficiency was demonstrated by the 3.6% increase in operating profit to £233.7m (2002: £225.5m), of which 49% (2002: 47%) accrued in the second half year. Operating cost savings are now expected to secure outperformance of £100m in the current price determination period.

Yorkshire Water was awarded an interim price determination during 2002. As a consequence customer prices will rise by 3.4% and 3.5% (previously 1.0%) above inflation in 2003/04 and 2004/05, respectively. The interim determination allows Yorkshire Water to fund additional investment of around £53m and to recover the additional cost of bad debts arising as a consequence of the loss of the ability to disconnect customers. The additional investment will be used principally to reduce the number of incidents of sewer flooding and upgrade our sludge incinerators to meet the requirements of the Waste Incineration Directive.

Operational performance

Yorkshire Water is now ranked second in Ofwat's Overall Performance Assessment which compares the levels of service provided by the UK's ten major water and sewerage companies. This is a significant improvement from the company's ranking of tenth in 1996/97.

Ofwat's report was published in August 2002. The highlights included:

- Further reductions in the number of properties experiencing inadequate water pressure, which has been reduced to 189. This is ahead of the commitment to reduce this to 400 properties by 2005.
- Significant reductions in the number of properties affected by unplanned interruptions to supplies caused by, for example, bursts and leaks. This was as a result of better incident handling by field teams and contractors.
- Drinking water quality in Yorkshire was the best it had ever been, largely as a result of an ongoing mains improvement programme.
- Security of water supplies was reported as the best ever, with leakage from the company's and customers' pipes continuing to fall. The extension of the Grid Zone into rural North Yorkshire allows more flexibility and increased security of supply to customers in these areas. The improvements were endorsed by the Environment Agency in its December 2002 report, the third Annual Review of Water Company Water Resource Plans.
- The number of properties flooded with sewage also reduced.

The company's water supply service was ranked in first place for operating cost efficiency in Ofwat's report "Water and Sewerage Service Unit Costs and Relative Efficiency 2001-02" published in December 2002.



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Water quality

The Drinking Water Inspectorate (DWI), in its annual report on drinking water quality in England and Wales for 2001, reported that 99.91% of all samples had complied with the relevant regulations. The quality of Yorkshire's tap water is the best it has ever been.

At the same time as the DWI's report, Yorkshire Water launched a campaign designed to encourage customers to bottle their tap water and take it with them wherever they went. The promotion saw 100,000 water bottles distributed to customers, contractors, sports clubs, schools and other community organisations. The DWI's Chief Inspector urged other water companies to adopt similar techniques to promote their product.

Further improvements in the quality and reliability of customers' supplies are expected to be delivered as a result of the company's ongoing programme of mains renewal and replacement. By 2010, a further 4,000km of pipes will be upgraded, leading to better quality drinking water and a reduction in the number of bursts and leaks.

Improvements to customer service

Significant progress has been made over the past year to improve not just the level of service afforded to customers, but also the feel of the service.

The new Integrated Customer and Operations Management (ICOM) system which became fully functional in April 2002 is now firmly embedded in the business and has delivered improvements in operational performance.

The volume of calls from customers is down by 25%, repeat customer calls are down by 10% and 98% of appointments offered within a two hour time band have been met.

An external review recently conducted by Trinity Horne, a firm of management consultants working within the water industry, concluded that the implementation of ICOM has delivered "a class leading system which can enable [Yorkshire Water] to achieve step change improvements in business performance and customer experience".

In October 2002 Yorkshire Water extended its opening hours to ensure that water customers can now receive visits until 9pm from Mondays to Fridays and between 8am and 6pm on Saturdays and Sundays. This new business as usual service is in addition to the traditional out-of-hours emergency service provided by the company.

Quarterly research shows that overall customer satisfaction levels are now consistently around 90%. Satisfaction among business customers is equally as high, according to a survey published in September 2002 by the Energy Information Centre (EIC). The EIC - a business customer trade body that merged recently with the Utility Buyers Forum - canvassed the views of 150 water and waste water business customers across the UK, with Yorkshire Water ranked as the top performer.





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01/03 Changing image Yorkshire Water has unveiled a new corporate logo to reflect the significant changes that have taken place within the company over recent years. The unveiling was performed by Mr Freddie Drabble, the chairman of a well known local environmental pressure group, The Sons of Neptune. For many years the group had campaigned for Yorkshire Water to clean up its discharges into the North Sea. The company responded with a £120m improvement programme which has resulted in the cleanest ever bathing waters along the entire length of the region's East Coast.

02 Health promotion During the summer four 'Tap Idols' were recruited to tour the Yorkshire region and promote the health benefits of drinking tap water. More than 100,000 bottles were distributed to local sports clubs, community groups, schools and the company's contractors. The initiative was praised by the Chief Inspector of the Drinking Water Inspectorate, Mr Michael Rouse, who urged other UK water companies to adopt a similar high profile approach to promoting their product.

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01 **Sporting Chance** Yorkshire Water sponsored the Yorkshire Post newspaper's "Give Kids A Sporting Chance Campaign" aimed at promoting sport in schools as an aid to children's physical and social development. A mini World Cup involving some 250 primary school children was staged in May 2002, with Sports Minister Richard Caborn on hand to referee one of the quarter final matches. Every child that took part was presented with an official replica kit of the nation their team represented.

Environmental performance

In March 2003, Kelda was confirmed as the water industry's leading performer in the Business in The Environment (BiTE) Index of Corporate Environmental Engagement. Yorkshire Water's score of 97% made Kelda eligible for a place in BiTE's new "Premier League", an accolade shared by only 17 of the UK's largest 250 companies. The survey measured the extent to which companies understood and managed their impacts on the environment and examined whether environmental issues were an integral part of their business strategy. Yorkshire Water scored full marks in almost every category.

The report also pointed to the significant improvements made by the company over the past few years in all areas of its environmental performance. For example in the autumn of 2002, the Environment Agency reported that local bathing waters and rivers were becoming even cleaner and acknowledged the role played by Yorkshire Water in achieving this success.

As a direct result of the company's recent investment in new waste water treatment works on Yorkshire's East Coast, last year 14 bathing waters surpassed the EU's most stringent guideline quality standards. The result is that for the first time Bridlington can now apply to fly its own Blue Flag alongside those of the neighbouring tourist resorts of Scarborough and Whitby. By working in partnership with local authorities, the target for 2003/04 is to see 16 bathing waters attain guideline standards.

The agency also referred to the continuing revival of the region's inland waterways and to the contribution made by Yorkshire Water's "massive investment in sewage treatment" and the company's success at tackling pollution caused by its assets and operations. The Environment Agency confirmed in September 2002 that the company was one of only four companies in the sector to reduce incidents of pollution year-on-year.

As a result for example, the River Don in South Yorkshire has seen substantial improvements in water quality, and in the River Calder in West Yorkshire, fish populations are on the increase according to recent studies.

During 2002, the number of Category 1 and 2 pollution incidents involving the company's assets was reduced by more than a third. The number of Category 3 incidents was also significantly reduced. By the end of 2003/04 we aim to report an overall reduction of 50% in the number of pollution incidents reported in 2000.

Capital investment

Regulated capital investment for the year was £319.5m, a slight decrease on the previous year's figure of £324.7m. It is now expected that capital cost outperformance in the current price determination period will be around 10%.

A substantial part of the work being undertaken during the current asset management programme (AMP3) is either to replace or relined old cast iron mains, which can cause discolouration, or to upgrade sewer overflows deemed unsatisfactory either because of the frequency at which they discharge or the impact they have on local watercourses. For example, by 2005 the company will have invested more than £40m in Bradford. This fundamental overhaul of the water and waste water infrastructure in Bradford will involve the cleaning and relining of approximately 125km of trunk main, improvements to the city's biggest water treatment works and the upgrading of 65 unsatisfactory sewer overflows.

The company is also undertaking work on behalf of the Passenger Transport Executive to enable the construction of a new Supertram system in Leeds. In supporting this project, Yorkshire Water will make more than 500 changes to the water and sewerage system which are expected to take four years to complete.

Project Aquatrine

In April 2003 Brey Utilities, a consortium in which Yorkshire Water has a 45% interest and including Earth Tech Engineering Ltd and Halliburton KBR, was confirmed by the Ministry of Defence (MoD) as the service provider for Project Aquatrine, Package A.

Project Aquatrine is one of the most significant Public Private Partnership projects in the MoD, and the largest Private Finance Initiative water project in the UK. It involves the award of three packages (A, B and C) which will transfer the responsibility for the operation and maintenance of the MoD's water and waste water assets and infrastructure in the UK to private sector providers. This will enable the MoD to focus its resources and expertise on delivering military capability.

Under the terms of the 25 year contract for Package A, Brey Utilities will provide water and waste water services to over 1,000 MoD sites in the Midlands, Wales and South West England. The £1bn contract is expected to go live in December 2003.

Brey Utilities is the only consortium that has also been short listed for Packages B and C covering Scotland and the rest of England.

Customer communications

To reinforce the significant financial, operational and service improvements made by the company in recent years, in July 2002 Yorkshire Water unveiled a new corporate logo.

The old Yorkshire Water logo has been replaced with a landscape design which presents a more modern image of the company and better reflects the environmental stewardship role at the heart of its activities. Customers and employees were consulted about the new design.

To coincide with the launch of the new logo, a series of new, customer led communications campaigns were also unveiled. The success of these campaigns resulted in the company's External Communications Department being voted the region's In-House Team of the Year at the Institute of Public Relations' Cream Awards in November 2002. The team won seven out of the 14 awards presented on the night.