Last week while I was in Washington, a World Bank economist made an unusual observation to me: “Water networks are like the pyramids. You just can’t build things like that any more because the labour costs are too high,” he said.

The Egyptians had access to slave labour, which usefully subsidised the cost of their great mausolea. These days, if you want to embark on an infrastructure project of that scale, the cost of the navvies you would need to employ is fixed by the productivity of labour in the broader economy. Unfortunately the productivity of the water sector has, like the productivity of the pyramids, lagged behind the productivity of the economy as a whole. As a result, if a rich city like London, New York or Tokyo were to need to replace its entire water network all at once, the thing would be impossible to finance without recourse to subsidy.

Of course this is a function of water tariffs. If people were prepared to pay more for water, the productivity of the sector would be higher, and the value added by building a network would be enough to justify the investment. But that is not the point.

The point is that increasingly, when people talk about extending water and wastewater services, they are thinking more seriously about decentralised solutions. How can they deliver the benefits of water and sewer networks without actually building them? Off-grid, point-of-use drinking water systems and micro-sized wastewater recycling units are attracting interest as never before.

From an efficiency point of view, decentralised systems are always going to be more expensive to maintain and operate than centralised networks. But the fact is, we already
live in a decentralised world. If people want safe drinking water, they buy it in bottles. If people want to reduce the health and environmental issues related to wastewater, they call a man to empty their septic tank. The future of the water and wastewater industry might be tied up in finding lower-cost but more efficient alternatives to these, rather than laying pipe with the assistance of Egyptian slaves.

As politics stand today, that seems a more realistic aspiration than full-cost recovery tariffs.