



**Northern Ireland
Assembly**

**COMMITTEE FOR
REGIONAL DEVELOPMENT**

**OFFICIAL REPORT
(Hansard)**

**Introductory Briefing from Northern
Ireland Water**

15 June 2011

NORTHERN IRELAND ASSEMBLY

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REGIONAL DEVELOPMENT**

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Members present for all or part of the proceedings:

Mr Jimmy Spratt (Chairperson)
Mr Roy Beggs
Mr Joe Byrne
Mr Stewart Dickson
Mr Cathal Ó hOisín

Witnesses:

Mr Trevor Haslett) Northern Ireland Water
Mr Seán Hogan)

The Chairperson:

You are very welcome, gentlemen, to your own house. *[Laughter.]* Thank you very much for facilitating the meeting here today.

Mr Seán Hogan (Northern Ireland Water):

You are very welcome.

The Chairperson:

We look forward to the briefing, and to the tour later. A couple of members are still to join us, and we have received some apologies. We have a number of presentations to hear today, so you

have around 10 minutes in which to make a presentation and, after that, make yourselves available for questions.

Mr Trevor Haslett (Northern Ireland Water):

I will be quick. Good morning, Chairman and Committee members. I know that you have already received copies of our slides. I will take you through the highlights. As you can see, our new chairman, Seán Hogan, is accompanying me today. I am delighted to take this opportunity to give an introductory briefing, and I am even more delighted that you chose for your meeting the call centre where we handle customer complaints and billing, as you will find out later.

Who are we? Northern Ireland Water (NIW) is responsible for the delivery of all water and wastewater services in the Province. Although we were established as a government-owned company in 2007, the delivery model is unique. The Water Service was formed in 1973 through the amalgamation of the services that some 79 local councils and water and sewerage authorities provided. That is in contrast to, for example, the situation in the Republic, where the same services are provided by 88 local authorities and numerous groups and water supply schemes. We are 100% government-owned. The Department for Regional Development is responsible for setting policy and strategic direction. We are a considerable business with an annual turnover of around £350 million, a large percentage of which is, if you will excuse the pun, pumped into the local economy.

What do we do? Every day, we treat more than 600 million litres of drinking water and deliver it to around 800,000 properties. To put that in context, that is equivalent to filling 230 Olympic-sized swimming pools. We distribute water through 26,500 km of water mains, which is equivalent to twice the Earth's diameter, from 24 major water treatment works, the three largest being those at Dunore Point, Castor Bay and Drumaroad. We treat and safely dispose of 350 million litres of wastewater from 2,700 works, which range in size from the Belfast works in Duncrue Street to the smallest septic tank that serves rural properties. If the length of sewers — 14,500 km — were laid against the length of water mains, it would stretch exactly around the Earth's circumference.

Capital investment peaked over the past four years at £1 million every working day. I can

recall when it was £1 million a week, which was less than 10 years ago. That investment is central to economic development for Northern Ireland. For example, access to large volumes of mains water exists at Diageo and Coca-Cola so that they can locate and retain their presence in Northern Ireland.

When Northern Ireland Water came into being, it inherited from the Water Service an ageing infrastructure. Significant investment plans were in place. As I mentioned, investment has already been ramped up. Not only were some of the sewers Victorian, but I remember explaining the risk of an outbreak of cryptosporidium to the then Minister for Regional Development, Gregory Campbell, when I drew his attention to a record drawing of the Mourne conduit, the date on which was 1896. You will be pleased to know that the Mourne conduit has now been replaced with a new pipeline. However, that was less than six years ago, which goes to show the age of some of the infrastructure.

We had data quality issues, which were transferred over. In comparison with other water utilities, we are not as efficient, but they have had a 20-year head start and flexibilities that we currently do not have. We no longer have Crown immunity from prosecution. Although we set out in April 2007 to be self-financing, the Executive decided that charging would not be introduced. That view was subsequently supported by the Hillyard review.

Northern Ireland Water has quite a complex operating and governance structure, but it should not be forgotten that it is a company and is, therefore, subject to companies legislation. Relatively recently, it was categorised as a non-departmental public body (NDPB) owing to the high element of public subsidy that it receives. We have a number of stakeholders, including the Committee for Regional Development. We have more than 1,300 committed staff, and we have just delivered the highest ever drinking water and wastewater compliance for the company. Seán was appointed our new chairman in March, and the process for appointing a new board has almost been finalised. I was appointed interim chief executive in January.

I have provided for the Committee a list of the range of stakeholders to which we are accountable, including, as I said, this Committee. The slide in question also includes the Northern Ireland Authority for Utility Regulation (NIAUR), the Northern Ireland Environment

Agency and its drinking water inspectorate, and the Consumer Council for Northern Ireland, representatives from which, I think, will be presenting to the Committee later.

I will now talk about our strategic plan and about delivery to date. The next few years are going to be challenging for Northern Ireland Water, as they will be across the whole of the public sector. We have a business plan, known as Price Control 2010 (PC10), for the three-year period 2010-13. The plan sets out our funding, business targets and challenging efficiencies, all within a regulatory framework. We are determined that we will continue to deliver and improve water and wastewater services for our customers in Northern Ireland. Through PC10, we propose to deliver some significant projects, some of which I have listed for the Committee. In addition, you will be glad to know that we are just about to start schemes at Newcastle, Ardglass and Benone.

Our achievements over the three-year period 2007-2010 are important. Taken against the background of events over Christmas and the new year, along with the governance issues, it would be easy to be critical. However, I am proud to be chief executive of Northern Ireland Water. I am proud of our achievements in the first three years of this business period. Six years ago, Northern Ireland had nine of the 13 European Union wastewater infraction locations in the UK. Today, we have none. Of those 13 locations, Brighton, for example, is still awaiting completion of its wastewater treatment works. That improvement came about from a step change in investment. We delivered almost £54 million in efficiencies, reduced staff numbers and reduced our reliance on consultants. We transferred skills to staff, reduced the number of days lost owing to sickness and have one of the best attendance records in the Province. We did improve customer service and delivery of our key performance indicators, despite our setback over the new year. We take our corporate social responsibility very seriously. I would back that performance against any public body, North or South.

I recognise that, as with any complex utility, we have had our problems, not least of which was the winter freeze/thaw created by the coldest winter for over 100 years. Our staff were wholly committed to restoring supply to thousands of customers over that period. We have been working hard to improve and to identify and embed the lessons learned. The Committee will be aware from a recent presentation on how pipe size affects meter billing that we have to continue our programme of data cleansing. We also have a number of action plans stemming from two

Public Accounts Committee (PAC) reports on performance and procurement governance, along with some 56 actions from the Utility Regulator's report and our own 22-point action plan. We have, therefore, plenty of action points and plans to get through.

I will talk briefly about the resilience action plan, about which you might hear more during today's meetings. By way of a quick update, I can tell you that we identified 22 actions, from which we developed 62 tasks on 5 January in the immediate aftermath of the freeze/thaw incident. I am glad to say that we have almost completed the outstanding actions, and those will be wrapped up very soon. The actions fell under four main headings: major incident plan; call centre; communications; and website. We have made significant amendments to the major incident plan — 37 tasks — and reviewed our arrangements for supply to vulnerable customers. Our website, which will be demonstrated to you later, is more customer-focused. As well as increasing our call-handling pool, one of the most important improvements has been strengthening our instant voice recognition (IVR) system to ensure that customers receive at least a message updating them during them an incident. We have also increased the number of telephone lines and the amount of bottled water that we stock. Those are the highlights of the resilience plan.

Of course, there are ongoing challenges. Out of a long list of challenges, I will highlight what I think are the current priorities. We will strive to keep improving our water and wastewater compliance. I refer members to the 80 or so recommendations arising from the freeze/thaw event that we have focused on. We have made significant efforts in improving our procurement processes, along with data quality, and will continue to do so.

We currently have no plans in place to introduce domestic charging. I raise that point because it is important. We would need a considerable lead-in time should that policy be changed. We also need to keep delivering our efficiency targets during PC10 without compromising key business areas. For example, operating under the annual public expenditure (PE) system while implementing a large capital programme with no end-year flexibility and funding uncertainty causes me some concern.

I have two final points to make, and they are the most difficult for me. Northern Ireland

Water's performance has steadily improved, but by putting the customer at the core of what we do, we do need to change the culture in Northern Ireland Water. We have made strides since Christmas to do that. We will improve confidence in the Northern Ireland Water brand, which is one of my three key priorities as chief executive.

I am sorry that I had to speed my way through that, Chairman. Thank you for listening.

The Chairperson:

Thank you very much, Trevor, for your presentation. You have had a difficult year, and I think that all of us recognise that.

I would be the first to say that I have recognised, in dealing with you from a purely constituency point of view, that things are different, and very clearly appear to be different from what they were 12 months ago. If I am experiencing that, I hope other members are experiencing the same. What we want is not to dwell too much on the past but to make sure that if we have another once-in-100-years freeze next year, at least we will have moved forward, and the public will have more confidence in what will happen. It is a question of getting the public into a frame of mind that things are different and will be dealt with differently. There is a job to be done, not only by you — although you are the major player — but by us. We certainly have a role to play as well. Hopefully, we can work together to do that but still hold you to account as a public body.

The legacy issue came up at our first meeting — admittedly, not with you — and was being used as an excuse. We are keen to hear when legacy will stop being used as an excuse. That is not a good selling point for the public and for where you want to move to.

There have been four major reviews of the so-called freeze/thaw event: the Utility Regulator's review; your own major incident plan; the Moorehead/Holder investigation; and the Fenton review. Are the findings and recommendations from each of those contained in one, overarching action plan? We have a copy of your major incident plan, which I note is not discoverable under a freedom of information (FOI) request.

Having had a look at the document and at the improvements that you have made to your

structures in the event of a major incident similar to what happened last year, I think that it might be a good idea that the customer knows exactly what your plans are. Would it not be wise to have such a document in the public domain so that the public can be reassured that you have really beefed up your structures to make sure that you can deal better with the same situation if it were to arise?

I am sorry, but there are three or four questions there. I told members that they were allowed only one question. *[Laughter.]* They can ask three or four, provided they phrase them as one question.

Mr Haslett:

I will take the last one first. The major incident plan is on the agenda of the meeting that I came from downstairs. I will consider your request. What we did make available was an executive summary of the major incident plan, given the sensitivity of a lot of named individuals and roles in it, but I will certainly have a look at that. It is quite a large document, and we are now in the final review of its fifth or sixth revision, but I will certainly consider your request positively. I will not just go away saying that I will consider it.

You asked about plans, specifically for a freeze/thaw incident. The 22-point resilience plan, which is a copy of what you have, includes the 14 points of the Fenton report. That is 96% complete. We have some issues around the Met Office and a need to put a big tick in the IVR box to show that it is working, but I can assure that Committee that the resilience plan is almost complete.

Just yesterday, I was speaking to the team that is looking at the 56 recommendations from the regulator's report. I have asked them to bring across what is left in the resilience plan, and any of the other issues, and put them in the one, overarching plan. Therefore, your question made quite a good point. We will be producing and going ahead with just one action plan from probably next week so that no complications arise from referring to three or four plans.

The Chairperson:

And on legacy?

Mr Haslett:

I can assure you that, because of my background in the Water Service, I do not intend to use the word “legacy”. Someone could say that I am part of it. The word will not pass my lips on any issues that — hopefully do not — come out in the future.

The Chairperson:

I remind members that the PAC will shortly report on the measuring performance and procurement governance exercise.

Mr Beggs:

One of the greatest difficulties with the difficulty last winter was the lack of accurate local information to enable people to make appropriate plans. You mentioned the new voice recognition system. This week, my electricity went off at home, and I phoned Northern Ireland Electricity (NIE) to report it. Without even speaking to anybody, I was given information that the power would be back on in four hours. Do you have that level of system in place now, or are you going to get it in? Finally, you are the interim chief executive. Are you the accounting officer? Who is responsible for making decisions and is accountable for public funds?

Mr Haslett:

The IVR system is being introduced. Part of the change is a messaging system up front. We realise that a lot of the issues around the problems we had were to do with the up-front telephony system. We had all the call handlers in place, but when the customer phoned in, they were getting a continuous engaged tone. We are proposing — in fact, we have nearly completed the changes — to ensure that there is a messaging system that is on that should reflect our understanding of the problem.

We have done that as an interim step. We are looking at a solution more akin to, for example, NIE, which you just mentioned. Our issues with turning water on and off are a lot more difficult and complex than those to do with electricity. With the NIE system, if there is an outage and phone calls are coming in, NIE staff can tell from what area the calls are coming and trace a transformer fault, or something else. When we turn water on and off, it can sometimes take two

hours for a customer's water to come back on, fully recharged. We are in a slightly different situation.

However, we recognise that the message that went out to customers over Christmas was a poor way of letting them know what was happening. That telephony system and getting information from the field promptly and in time are the two key issues that the team here and downstairs, to whom you will be speaking later, have been dealing with.

Mr Beggs:

To clarify, are you getting the automatic location identification system or not?

Mr Haslett:

No. All that we can do is trace calls by the subscriber trunk dialling (STD) number. NIE has unique customer reference numbers, so as soon as a customer's reference number comes up, it knows who it is. We do not have customer billing, so the only way in which we can recognise a customer is through the STD code, and that could cover the whole of Belfast. We have to rely on customer information and on our own understanding of what is happening; for example, whether the problem lies with a reservoir out in a small pocket or is a bigger issue.

It is something that we are looking at from a longer-term point of view — over the next 18 months — because the difference between what we have put in and what we would like to put in could be £1.5 million. That is quite an investment, so we need to get it right.

To answer your other question, yes, I am the accounting officer for Northern Ireland Water.

Mr Hogan:

Roy, as Trevor said, the advantage that NIE has over us is that, because it does individual billing, when someone rings in, it automatically knows exactly where the call is coming from and can quickly trace any problems. The only billing that we carry out is for commercial customers, and we could certainly trace them. However, if a call comes in from a consumer who has water — to use a phrase used in healthcare — free at the point of delivery, we do not have the individual database for each house in each estate. If someone rings in, the best that we can do is to get an

STD code, and that can cover quite a wide area.

Mr Haslett:

It is part of the learning process. This afternoon, I am attending a presentation to be given by three key NIE people. The presentation was arranged for us specifically so that we can look at its system and compare it with what we have just put in. That has been arranged for this afternoon in Antrim.

Mr Ó hOisín:

The weather is also a concern. It has certainly been too cold in the past year. Perhaps owing to the timing of the cold snap during the holiday period, while schools were off, there was huge loss of water. There were reductions in reservoirs and water pressures. How best can that be addressed, if at all? I forget the figure off hand. Was it 80%-plus?

Mr Haslett:

Eighty per cent of the water that was lost from the system came from the customer side, and the other 20% was ours. To address the 80%, we are starting a winter campaign early this year to advise customers what they should do to try to prevent a loss of water from their side. They should be lagging pipes and be aware of where their stopcock is and whether it works. We have a programme that we will initiate probably around late September or early October. We will be starting early.

However, as part of that contract with the customer, we have looked at where the deficiencies were on our side of the system. We have looked at infrastructure in pockets such as Dromore, Warrenpoint and Rostrevor, and particularly around Cookstown. Therefore, we will show what we have done to assist in preventing the same issues in what we have identified as areas with weaker infrastructure and will tell customers what they can do. We were hit with a perfect storm last year, because many properties were vacant and commercial premises were closed for the Christmas period. Students had left university areas, and water was running out through property. We hope that the winter campaign will educate customers on what we want them to do to prevent problems. However, that is almost as far as we can go. We have looked at our own deficiencies, and, as investment rolls forward, we will consider whether we need bigger reservoirs in the

Cookstown area and whether we need to do something in Rostrevor. All of that is being looked at as part of the regulator's 56 recommendations as well.

Mr Ó hOisín:

We have had a visible increase in rainfall in the past number of years, particularly in places where there are mixed storm-sewer systems. What steps have been taken to address issues that have caused problems for constituents?

Mr Haslett:

We have around 109 drainage areas in Northern Ireland, and we have been looking at all those on a drainage area plan basis. We have studied each area, the best known of which is probably the Belfast area, where we have just completed an investment of around £130 million in the new Belfast sewers project. That is not the only scheme that we have done. In the Ballycolman area of Strabane, where there was a flooding hot spot, we have looked at where out-of-sewer flooding has occurred, prioritised areas and brought forward plans to see what remedial measures we can take. A number are ongoing in; for example, the east Belfast studies need to be completed.

The difficulty is — again, this comes back to funding — that we have to try to prioritise which section of sewer that we replace without creating a problem upstream or pushing it downstream somewhere else. The solution usually has to be holistic and has to be from the sewage works to almost the top end of system. However, as part of the investment in PC10 over this period, there is a significant level of investment in drainage area studies and in putting things in on the ground. Newcastle was in the papers recently over water quality, but Northern Ireland Water has already invested some £6 million to £8 million in the sewers in Newcastle and will shortly commence the new wastewater treatment works, which might cost another £7 million. A lot of that work has gone unnoticed from the point of view of the public, as has the improvement in the river quality.

Mr Dickson:

I will try to be as brief as possible. How old is the 26,500 km of water mains in Northern Ireland? It might be useful, at some stage, to see some sort of graphical representation of that and the replacement and renewal programme. We can see a graph that moves from red — dangerous and very old — to getting better, over the 26,500 kilometres.

Roy raised a point about the winter incident and the lessons to be learned from it. Have you planned, or are you planning, a mock incident to test the systems that you have in place, and will it be a robust test? In other words, will you stage an incident that is as big as, or bigger than, that which occurred?

I am not 100% convinced by your answer on location identification and NIE. When customers phone NIE, the first thing that they are asked for is their address. Why do you not simply ask people for their address, and then, using satellite and computer mapping aids, you can identify the property or area from which the customer is complaining? To tell us that you do not have a PIN or reference number for a site is fine; I understand that and accept it. Without going into the billing argument, why do you not have a reference point for every stopcock in Northern Ireland, or why do you not at least have a programme to get you there? At some stage in the future, billing is a potential option, and having a reference number would be a step in the right direction.

Mr Haslett:

The data that you ask for is in the red file, so we can provide that. We can give you a breakdown by diameter or by material type of water mains in Northern Ireland, and that information can be forwarded to the Committee. The bulk of the faults on our side of the system were in the four-inch diameter pipes, which are mostly made of cast iron. Although the regulator said that our system is relatively young — it is — there are a lot of cast-iron pipes, which gave us the problem.

A mock incident is planned for October. We will operate it alongside the agencies that helped us during the freeze/thaw incident, particularly local councils. We will test elements of our system before that, particularly the IVR system. We have an asset-management data acquisition project commencing. That will pick up all our asset data, including supply pipes, stopcocks and valves. Everything that we own will be put on that.

When you telephone NIE, you do not get speaking to a person. That is the difference. Our system downstairs is built on speaking to a call handler — a person. If you phone NIE, you go through a menu of options until eventually you might get to speak to a call handler. That is the

way in which NIE's system is set up. It detects whether it is a fault or something else. If you call from Strabane, and NIE knows that you are calling from there, it will say, "We have an incident going on. We will get back to you." Or "We should have that resolved by midday today." That is usually the end of the conversation. That is the sort of system that we will try to move towards, but to do so will take significant investment. NIE's system also takes some "identifier", whereas if someone calls us, we can obtain his or her address. However, to do that while handling the 4,000 calls that we fielded during the freeze/thaw incident, and taking into account the fact that people were taking 15 minutes over each call, means that the time taken all racks up. Those are the sorts of issues that we are looking into.

Mr Dickson:

An automated system would at least allow customers to enter their postcode before speaking to a human being.

Mr Haslett:

I agree, and we are working on that. It is being incorporated into the system. You will see it downstairs when you speak to a call handler later.

Mr Byrne:

Thank you for your presentation. It is a better news story generally, compared with what happened. I have two questions. First, does Trevor accept that it was the senior management function failed last year? When senior management was required to explain things to the public, it was not there. It had gone missing. We were left to deal with junior staff in the PR department, who had to go out, face the public and take the flack.

Secondly, when it comes to repairs, the procurement process has resulted in NIW having three large contractors in recent times. In the past, you used much smaller repair and maintenance contractors. Those smaller contractors are no longer on the list. You depended on three large contractors to go out and identify where the local problems were and locate the valves. As a result, they were crying out for small subcontractors to try to relieve the problems.

The Chairperson:

Let me just caution you about talking about procurement, Joe. I said that it is under investigation by the PAC at present.

Mr Byrne:

I accept what you are saying, but I was careful in what I said, Chairman.

The Chairperson:

I do not want us to stray into the ongoing investigation. The PAC is involved in some stuff in that area next week.

Mr Haslett:

The three large contractors — it may be more — all use local subcontractors. In fact, one of the larger contractors was built up purely by using subcontractors from local areas. That is how that partnership and model works. I accept that, through procurement, as the Chairman said, there have been issues with some other contractors that were not successful or not part of that process. However, we had to strive to get the most efficient repair contract in place, and one that, in this case, used and continues to use local knowledge and local contractors. For example, a squad from Belfast does not go down to Enniskillen to work. We use local people who work in that area.

Senior management issues are a matter of record. The NIAUR report contains a section on governance and leadership. Things probably could have been done better at the time. I spent a lot of time in the media, as did Liam Mulholland, who is sitting behind me, and others. That is really all that I want to say about that. However, if there were another incident this year, I would handle it differently, and I am sure that the team would handle it differently.

The Chairperson:

I thank you, Trevor, for your presentation. We will have a conversation with you later on, and we are looking forward to that. Seán, is there anything else that you wish to say?

Mr Hogan:

No, other than that I am delighted that we were able to talk to you today. This was my first opportunity to meet Committee members, and I am delighted to have done so. I see it as part of my role as chairman to ensure that the relationship between NI Water and the Committee is a positive one. I will do everything that I can to ensure that that is the way that it is.

The Chairperson:

Thank you, gentlemen.