



Northern Ireland  
Assembly

Committee for Regional Development

# OFFICIAL REPORT (Hansard)

Water and Sewerage Services (Amendment) Bill:  
DRD Briefing

21 November 2012

# NORTHERN IRELAND ASSEMBLY

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Water and Sewerage Services (Amendment) Bill: DRD Briefing

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**Members present for all or part of the proceedings:**

Mr Seán Lynch (Deputy Chairperson)  
Mr John Dallat  
Mr Stewart Dickson  
Mr Alex Easton  
Mr Ross Hussey  
Mrs Dolores Kelly  
Mr Declan McAleer  
Mr Ian McCrea  
Mr David McNarry  
Mr Cathal Ó hOisín

**Witnesses:**

Mr John Mills	Department for Regional Development
Mr Stephen Rusk	Department for Regional Development

**The Deputy Chairperson:** I welcome John Mills, director of water policy division, and Stephen Rusk, also from water policy division. You are welcome. You can give a short presentation.

**Mr John Mills (Department for Regional Development):** Stephen is going to lead off.

**Mr Stephen Rusk (Department for Regional Development):** Thank you for the opportunity to brief you today on the Water and Sewerage Services (Amendment) Bill, which was introduced to the Assembly on Monday and has now been printed. We hope that Second Stage will take place next Tuesday and that Committee Stage will begin formally next Wednesday.

The Bill will amend the Water and Sewerage Services (Northern Ireland) Order 2006 to extend by three years the period in which the Department for Regional Development (DRD) may make a subsidy payment to Northern Ireland Water (NIW) in lieu of household water charges. As we outlined at our last briefing to the Committee, the legislation that provides the basis for subsidy to be paid to Northern Ireland Water will expire at the end of March 2013. The Executive have given a commitment in the Programme for Government (PFG) not to introduce any additional household water charges, and this Bill implements that commitment by extending the current subsidy period by a further three years to 31 March 2016.

In addition to the matters about water charging, the Bill will provide for the registration of statutory charges in respect of certain works on private land. I will say a few words to explain what that is about. Under the 2006 order, water and sewerage undertakers are empowered to lay certain pipes and sewers in private land. Before they do so, they are required to issue notices to owners and

occupiers, and the Bill will require notices in respect of the laying of such pipes and sewers to be registered in the Land Registers of Northern Ireland as statutory charges, which will make the information about the intention to lay a pipe or sewer, and its location, publicly available.

You may recall from our September briefing that we had hoped to include a number of other amendments in the Bill to transfer the responsibility for the regulation of public drinking water supplies to the Department of the Environment and to simplify the requirements in respect of water resources management plans and drought plans. Unfortunately, it was necessary to jettison those proposals to ensure that the subsidy extension could be passed by the Assembly by the end of March.

That is an overview of the content of the Bill. We are happy to take any questions you may have.

**The Deputy Chairperson:** Thank you. Before bringing in members, I have two quick questions. You mentioned that there will be no introduction of water charges before 2016. Is that right?

**Mr Rusk:** Yes.

**The Deputy Chairperson:** What consideration has the Department given to the imposition of water charges beyond that?

**Mr Mills:** The Minister has put a paper to the Executive on the long-term governance and funding situation in light of the PFG commitment not to introduce water charges before 2015. That is with the Executive at the moment.

**The Deputy Chairperson:** Can the Department provide the Committee with a timeline for introducing the Bill?

**Mr Rusk:** As I said, we hope that Second Stage will happen next Tuesday and that Committee Stage will begin next Wednesday. As we intimated before, we hope that Committee Stage will be completed in a 30-day period, which in this case would be by 25 January, with a view to Final Stage on 5 March 2013.

**Mr McNarry:** Let me just put my questions into context. We have what I consider very valuable information on the price cap regulation, particularly about price control 13 (PC13), from the Utility Regulator. It is saying that Northern Ireland Water remains the most inefficient water and sewerage company and that although Northern Ireland Water was successful in exceeding efficiency targets set for it in price control 10, the PC13 business plan indicates that the rate at which it will grow —

**The Deputy Chairperson:** David, with respect, PC13 is coming up later in the Committee.

**Mr McNarry:** I understand that, but it is relevant to what I want to ask. Let me just make the point, then, that the regulator is not very happy with you and thinks that you are an inefficient bunch. The reasons are detailed in that. Will the current subsidy remain static?

**Mr Mills:** If you take the regulator's way of looking at the world, Northern Ireland Water is more inefficient, or less efficient, than the English companies. We would say that those companies have had over £100 billion of investment in the past two decades, 20 years of stable governance through regulation and a dedicated income stream through charges. If you make that comparison, you have to ask: is it valid, at this stage, to compare Northern Ireland Water with companies that have 20 years of that sort of investment? As to movement on the subsidy, the current subsidy is £282 million. If the regulator's draft determination were to be implemented, the figure will go down somewhat. However, the draft determination is a part of an ongoing process. The regulator produces a final determination in December. It has only just finished its consultation on the draft. So we will have to see what conclusion the regulator finally draws.

**Mr McNarry:** I understand that, on the one hand, you are quite dismissive of the regulator, but on the other hand, you are quite willing to do as he tells you because this is how you are going to answer the questions.

Why I am asking about the subsidy remaining static is that I am really trying to find out whether you have any projections that you have worked out on the subsidy costs from 2013 to 2016.

**Mr Mills:** Yes, it is in the regulator's draft determination, to answer the second part of that. The figures are something like £260 million and £260 million — I cannot recall the exact figures — for those two years. However, that is based on the draft determination, which is not the end of the process.

We are not dismissive of the regulator's position on efficiency, but it is a particular view that the regulator takes, and that comparison, as I say, is with English or GB companies that have had the benefit of over £108 billion of investment.

**Mr McNarry:** I understand. The Chairman has informed me that that is going to come up later. Unfortunately, the regulator will not be sitting in the Assembly, or maybe that is not unfortunate. Instead, there will be members of this Committee and the Minister and his officials who will be addressing it. I just need to find out where you are with the regulator.

Just finally, on the same line, have you arrived at any estimated domestic users' contributions for 2013-16?

**Mr Mills:** No, the Executive have said that there will be no household charges introduced during the Budget period, so that there will be no direct charges —

**Mr McNarry:** I am aware of the direct charges. I asked for the domestic users' contribution. The Committee has been told on many occasions that there is a contribution. I wonder whether that contribution will increase. Are you aware that it might increase during the period over which you want to extend this subsidy?

**Mr Mills:** It is estimated that domestic users make a contribution through the rates. Obviously, the Department of Finance and Personnel is in charge of the rates. If the rates go up, you could argue that that percentage goes up.

**Mr McNarry:** The Executive could well make an argument for increasing water charges through the rates as a contribution to narrowing the gaps on the subsidy.

**Mr Mills:** The Executive's position is that there will be no new charges in this Budget period, so I think —

**Mr McNarry:** That is on the subsidy.

**Mr Mills:** I think that the Executive are not going to suddenly ramp up rates.

**Mr McNarry:** You are usually very frank, and that is just what I wanted to hear from you. Thank you very much for that.

**Mrs D Kelly:** I will ask two questions. Have you any figures for the amount of money that has been discounted by NI Water because it was not able to stand over the bills that it issued? In other words, it wiped out the bills. I know of one case in Craigavon of some £8,000.

We all welcome the fact that water charges are not going to be introduced at least until 2015, and, hopefully, not thereafter. How, then, will NI Water promote the sustainable use of water? I do not know whether those questions are pertinent to this presentation, Chair.

**The Deputy Chairperson:** Some of that is outside the scope of this meeting.

**Mrs D Kelly:** All right. Perhaps we could get an answer at a later stage.

**Mr Mills:** I can give a general answer on those two points. I think that the bills that you are talking about are for the test meters, as they are called. Northern Ireland Water has issued bills to people who should have been billed, including some retrospective payments. It has been working with those people and consulting with customers. It gave a warning that it would do this, and it consulted customers, and it has adjusted bills where necessary. Trevor will perhaps be able to address that in more detail.

How is Northern Ireland Water going to address sustainability issues? The answer is that the Department is taking forward a long-term water strategy that will have a number of suggestions on sustainability, in using less power and more environmentally friendly solutions, particularly around catchment management. That is about trying to do stuff around water bodies to protect them from undesirable substances going into the rural water before you start to spend a lot of money on treatment. The one area where it may be difficult, without some form of metering, is the amount of water that people use. That will be a hard thing to take forward.

**Mr Dallat:** NI Water says that there will be no increase in charges, but does it have an accurate record of what needs to be done in respect of capital investment between now and 2016? I noticed recently that raw sewage is spilling onto beaches. I am very much aware that there are clapped-out small sewerage systems in rural areas that need to be connected or upgraded in order to comply with EU regulation. How close are we drifting to infraction?

**The Deputy Chairperson:** John, again, some of that is outside the scope of the Bill.

**Mr Mills:** I will try to give a brief answer. The capital programme has been worked out for the next two years during the PC13 process. So, the Drinking Water Inspectorate and the Environment Agency will feed in, or have fed in, to the regulator's process in order to identify priorities for capital works. There will be a capital works programme of around £160 million for the next two years to deal with priority issues raised by stakeholders in the process.

Last year, all the beaches met the EU standard for cleanliness. On the issue of small sewerage systems, NIW has a £5 million-a-year programme for small rural-based waste-water systems. That has been quite successful. However, there are hundreds of those things, so some of them may, indeed, be in need of attention.

How close are we to infraction? Infraction is always a risk. The EU sent a letter recently citing a number of sites in Northern Ireland that it does not think are compliant, and we are in the process of going back on that. The biggest risk is Ballycastle.

**The Deputy Chairperson:** OK. Stewart, will you keep within the scope of the Bill?

**Mr Dickson:** I certainly will, Chair.

Thank you for coming today to speak to us about the Bill. I appreciate that the Bill takes us to the end of the current Budget period in respect of not charging or having no charging facility for domestic water users. What plans are there, or what legislative changes will be needed in the future, to introduce water charges? It seems short-sighted to produce a Bill that takes you to 2016 but does not tell you what will happen after that. I believe that there is every prospect that Northern Ireland will have to face up to the reality of domestic water charging beyond 2016. Is the Bill not rather short-sighted in that respect?

**Mr Mills:** The Bill implements the Executive's agreed policy position on no charging during —

**Mr Dickson:** I notice it is not telling us what will happen after that period.

**Mr Mills:** Indeed it is not. That would require a policy decision by the Executive on the long-term future of water governance and funding. As I said, the Minister has a paper with the Executive.

**Mr Dickson:** Water is the classic long-term strategic planning process. You probably cannot get much more basic in terms of a country's infrastructure than long-term water planning, and that is not a three-year period, that is a 20- to 50-year period, perhaps beyond even that. So, why is there no consideration of charging, or are you telling us that the Executive simply do not want to address the issue?

**Mr Mills:** I certainly agree with the first part of your statement, Mr Dickson. That is absolutely right; it is a very long-term issue. I can only say from a DRD point of view that the Minister has a paper with the Executive on long-term governance and funding arrangements. This Bill is not dealing with that issue. It is simply the necessary short-term measure to give effect to the Executive's policy decision.

**Mr Dickson:** Is that not very short-sighted?

**Mr Mills:** Is the Bill short-sighted? No, because it is not trying to address the issue you mention.

**Mr Dickson:** Thank you.

**The Deputy Chairperson:** Ok, no other members are looking in. I thank you both for the presentation.