



Northern Ireland
Assembly

Committee for Regional Development

OFFICIAL REPORT (Hansard)

Water and Sewerage Services (Amendment) Bill:
Coalition Against Water Charges Briefing

9 January 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Jimmy Spratt (Chairperson)
Mr Seán Lynch (Deputy Chairperson)
Mr John Dallat
Mr Stewart Dickson
Mr Alex Easton
Mrs Dolores Kelly
Mr Declan McAleer
Mr David McNarry

Witnesses:

Mr John Corey	Coalition Against Water Charges
Mr Manus Maguire	Coalition Against Water Charges
Mr Ryan McKinney	Coalition Against Water Charges

The Chairperson: I welcome John Corey, the chairperson of the Coalition Against Water Charges, Ryan McKinney, the Northern Ireland Public Service Alliance assistant secretary, and Manus Maguire, the community representative. You are all very welcome, gentlemen. You have 10 minutes in which to make a presentation, and then leave yourself open to questions.

Mr John Corey (Coalition Against Water Charges): Thank you very much, Chairperson. We will not take up the full 10 minutes with the initial presentation. First of all, I thank the Committee for the invitation to the Irish Congress of Trade Unions to submit evidence on the Water and Sewerage Services (Amendment) Bill. We are here as representatives of the Coalition Against Water Charges, which was established by the Irish Congress of Trade Unions in 2006 as a broad-based campaign to keep the Water Service in Northern Ireland public and to oppose separate household water charges. The Irish Congress of Trade Unions agreed that the coalition should present the trade union movement's position on the amendment Bill and any related issues.

I assume that Committee members have before them the written evidence that we submitted. I propose to comment briefly on the key points outlined in the summary of that evidence. First of all, I confirm absolutely, for the record, that the coalition and the trade unions fully support the enactment of the Bill. The legislation as we see it is necessary so that the Department can extend grant payments covering the cost of household water charges for the next three years. That is in line with the commitments given to the electorate and enshrined in the 2011-15 Programme for Government. We believe that it is right that Northern Ireland householders should not have to face separate household water charges and, therefore, the Bill should be enacted.

Secondly, you will see in our written evidence that we have also commented on the ongoing debate about Northern Ireland Water's (NIW) future governance arrangements. We have concerns that the absence of a settlement of the governance issues has the effect of leaving in place a potential threat of privatisation of that public service and, consequently, the associated threat of separate water charges. We do not think that it is good governance to leave the matter in an unresolved state. For the record, we want to reiterate that the coalition and trade unions fully support the principles outlined by the previous Minister to the Assembly — which we have reiterated in our submission — that, whatever governance arrangements are introduced for NI Water, they should be consistent with the principle that water and sewerage services are delivered by a body within the public service and accountable to the people and to the Assembly; that Northern Ireland Water should not be privatised; and that there should not be separate household water charges. Those reflect the position that the trade unions have always advocated on the matter.

Thirdly, we note that in the current Minister's evidence to the Committee on 3 October last year, he confirmed that a paper on governance was circulated to the Executive. We also noted that the Minister discussed those proposed governance arrangements with NI Water on 27 June 2012. We have not had access to the proposed governance arrangements, and I am not aware of and do not know whether the Committee has had access to them. We support the Minister's call for discussions about future governance to be conducted in a mature way, but we emphasise here the importance of such discussions being open and transparent and engaging all stakeholders, including the trade unions, with a major interest in the delivery of the future water service and those with a community interest. The paper appears to have existed for many months, but we have not had any opportunity to engage in discussions or consultations on it.

Fourthly and finally, we would like to briefly make the following points about future governance arrangements, although we accept that this may not be appropriate for discussion today.

First, governance arrangements should enshrine the principles that I referred to; in particular, the principle that the provision of water and sewerage services should not be privatised.

Secondly, full transparency of all capital and revenue costs and public expenditure requirements should be explicit in any governance arrangements.

Thirdly, there should not be a presumption that the current dual arrangement of having a government company/non-departmental public body (NDPB) must be fundamentally changed. In fact, if you examine the regulator's price control determination, PC13, published on 14 December, you see that there is no compelling evidence that NI Water's capital investment and its efficient operation are being prevented by the dual arrangement. So, we make the point that there should be no presumption that fundamental change is needed.

Lastly, there has to be recognition that householders in Northern Ireland are already contributing to water and sewerage costs through the regional rates system.

Those are the points in our presentation to you. As noted in our submission, this is, indeed, a very short Bill. However, it is an important one for every householder in Northern Ireland. Enactment of the Bill will be a case of politicians delivering on an election promise. For that reason, we hope and assume that the Committee will support and clear the progress of the Bill back to the Assembly.

That completes the points that we wish to make. I think that that is sufficient. Ryan, Manus and I will be pleased to answer any particular questions that the Committee may have on the matter or on our presentation.

The Chairperson: Thank you, John, for that presentation. As you said, members have a copy of the documents you sent, and I am sure that everyone has looked at those.

I will kick off the questions. First, you said that you are opposed to water charges, but given what you said about the water charge in the regional rate, I take it that you are not opposed to the present way in which that charge is taken out through the rating system.

Secondly, do you believe that the charge in the regional rate is sufficient to pay for the infrastructural investment required?

Thirdly, the Utility Regulator states that the current governance arrangements in Northern Ireland Water are not adequate; that is its view. What model and structure does the trade union movement think is appropriate for Northern Ireland Water?

Mr Corey: I will lead off, and my colleagues may wish to add some points.

On your first point about the regional rate contribution and that system, the trade unions have always accepted that householders in Northern Ireland are contributing to the cost of water and sewerage services through the regional rate. You are probably familiar with the fact that, in the past, there was a system of what they call hypothecation, whereby the contribution to water through the regional rate was clearly identified. That process ended quite a long time ago when the Governments of the day decided that they wished to have full access to all the regional rate funding for any purpose and to remove the constraint of having to allocate regional rate funds to particular programmes.

We have argued against household water charges partly on the basis that people are already contributing through the regional rate. There are obviously many issues to be addressed if you were to consider re-hypothecation. It is something that we would wish to consider and advocate only if it were clear that the other principles were enshrined in any revised arrangements. Those principles are that, in particular, NI Water remains in the public service and will not be privatised and that there should not be — and is no need for — any separate billing system. We accept that the regional rate is there and that people are already contributing.

Secondly, on the question of sufficiency for capital investment through the regional rate contribution, there would have to be very extensive consideration of what the current contribution level through the regional rate is. For instance, the regulator is now targeting a figure for the notional household bill of £377 per annum. It is an open point as to whether you could extrapolate based on previous figures to find what people are actually contributing through the regional rate at this point. We do not know the answer to that.

The Chairperson: The most up-to-date figure that we are aware of, John, is about £169 per ratepayer. We also have to bear in mind that, through the Northern Ireland block grant, there is a contribution to Northern Ireland Water of £200 million.

Mr Corey: To answer the question: the trade unions have never suggested or argued that the people should not contribute to the cost of water. Our argument is that that contribution is already being made. The point about what is the right contribution is a different one. That is something for the future based on the public service.

Your third question was about the Utility Regulator indicating that the current arrangements are not adequate. The Water Service was established originally to be a privatised company, but that has not happened. Northern Ireland Water now operates within the public service de facto as an NDPB, but it still has a legislative model based on its being a privatised company. I do not think that anyone would say that that is ideal. However, we do not detect from the regulator's report that this is a crisis or doomsday situation. In any consideration of change, you have to consider all the implications. Whether it will result in a significant or step improvement in the position is not clear to us.

Mr Manus Maguire (Coalition Against Water Charges): We think that the regional rate is a very good way of collecting the money. Indeed, we are contacted regularly by community groups and charities who are asked to pay a separate water charge. Our position on that is that if you are not paying rates, which those organisations do not, you have to pay the separate charge.

On the issue of the amount of money, when the original documents were presented by Lord Dubs as far back as 1999, households were paying £127 on average. When we questioned the review that was carried out a number of years ago and provided the figure of £161, Paddy Hilliard's comment was that he was not involved in working out the detail. Basic sums would tell you that, given that the rates had risen by more than 100% in the intervening period, the increase was bound to have been more than from £127 to £161 or £169. The issue is that the principle is there in terms of the rates. There is other documentation that shows that, in the past, if there had been a necessity for a small rise, it should be done through the rates.

Mr Ryan McKinney (Coalition Against Water Charges): The only point that I would make about the position of the Utility Regulator is that the Committee heard evidence from the water policy unit in November in relation to how Northern Ireland Water is benchmarked. There is no agreement about

whether that benchmarking against companies in England, for example, is fair. We have attempted to emphasise that, over the past 20 years, there has been £100 billion of investment in the companies that Northern Ireland Water is benchmarked against. There has not been the same investment here. As far as we are concerned, some of the assumptions made by the Utility Regulator are based on the non-recognition of that investment.

Mr Lynch: I know that most of the questions have been answered, but I have a quick one on your argument that NIW should remain in public ownership, that there should not be privatisation and that there should be no extra costs through water charges. I very much agree with that, as the former Minister came from the same party as me. John, can you see any situation in the future whereby conditions would exist for costs to be added as water charges?

Mr Corey: We have always argued that the public should make a fair contribution to the cost of our public water service. We do not dispute that. As Manus said, there are figures from the past when there was a hypothecation. Provided that there is full openness and transparency and that the people can see what revenue is being raised and how it is being used to fund NI Water, we are not arguing that there should never be an increase in the element of the regional rate that contributes to water. It is a question of what is fair and reasonable from a public point of view.

As we understand it, in practical terms, it would take a considerable length of time to introduce such a change or development. Therefore, we will be faced with continuing with the current arrangement in order to ensure that NI Water continues to operate effectively. I do not think we have argued that there should not be a fair contribution. What we do argue is that that fair contribution should be made through the regional rate system. It is already in place. There is no point in introducing any separate billing system, with the costs involved in that. The system is already there, and it can be used. What we need is a Northern Ireland solution, not a solution taken from other models elsewhere.

Mr Dallat: I have a couple of short questions. The present model, with NIW being one step removed from a Government Department, has had an appalling history of shambles. Would you agree that it is critical that we look at future models that will avoid the kind of scandals that arose in the past?

Mr Corey: I am not going to comment on what may or may not have been considered to be —

Mr Dallat: You are a public person. You must know about them.

Mr Corey: Yes; I accept that there have been major incidents. The 2010 winter freeze/thaw was a major incident. We have also had major incidents of flooding in which people's homes have been badly damaged. I would venture to suggest that those things would probably have occurred regardless of what governance arrangements were in place for NI Water. We do not readily accept that the major problems that have arisen, such as the examples I have given, were because of Northern Ireland Water's governance arrangements. That is the point that I take issue with. It is an open point as to whether, if different governance arrangements had been in place prior to the 2010 winter freeze/thaw or the flooding of last year, none of those incidents would have happened. I do not believe that that is the case. I think they would have happened. The test of an organisation is how well it can respond to those situations, and you may argue that, for example, with the winter freeze/thaw, there were difficulties with the speed of response in that case. However, I do not think that Northern Ireland Water's governance arrangements should be judged on that basis.

Mr Dallat: There is a second part of that question. One of the issues that arose out of that shambles and others was the lack of investment. There may come a situation where, because of European regulations or whatever, it is necessary to look at other models. I ask you frankly and straight: would you support the principle of a co-operative for water services?

Mr Corey: We commenced a process of examining various options for NI Water governance a year or two years ago, but the issue has receded in its immediate priority. We have not revisited some of those. What we are anxious to do above everything else is to make sure that NI Water remains a public service and is delivered as a public service. We have concerns that you could say that mutualisation or co-operatives are in some ways privatisation of a public service. We have some concerns that co-operatives or mutualisation would not effectively retain it as a public service. We do not see that there is a barrier to retaining NI Water as a public service. We believe that that is entirely feasible and deliverable. For that reason, we have some concerns. Our principle is that NI Water should be a public service that is accountable to the people of Northern Ireland and to the Assembly.

Mr Dallat: Finally, finally, Chairperson —

The Chairperson: You are pushing me now, John.

Mr Dallat: I know. You are just back. A senior member of your organisation, the Irish Congress of Trade Unions, Peter Bunting, is now a director of NI Water. Is that an advantage or is it a conflict of interest?

Mr Corey: He is no longer a director.

Mr Dallat: I am glad to hear that.

Mr Corey: He was a director for a period, but he is no longer a director.

Mrs D Kelly: Thank you very much for your presentation. I am interested from a sustainability perspective, over and above the arguments around governance, which we have heard a lot about and are very concerned about. In terms of sustainability, how can we help, and what role do you see the coalition playing, in ensuring that there is greater sustainability of water into the future, if, in fact, people are not using it in the same efficient manner that they may use electricity?

Mr Corey: Obviously, the trade unions would fully support measures to ensure sustainability and that water is not wasted. However, we do not accept that the introduction of water charges, as some have advocated, or metering would automatically mean that you would improve sustainability. We think that there are a lot of false arguments in that particular line. As I said at the outset, the coalition was established for the purpose of campaigning to maintain water services as a public service, which is the case in many jurisdictions across Europe. Indeed, in some jurisdictions, privatised water services have returned to being a public service because of past experiences. That is why we exist as a coalition, and that is what we will continue to focus on. We would, of course, support measures for sustainability. We have not considered this measure or that measure in particular. A lot of it is publicity, campaigning with people and making people aware of the importance of sustaining efficient use of water, and so on.

Mrs D Kelly: Given that the majority of the political parties here support no charging for water, and the very fact that the coalition is still in existence, it appears to me that you lack confidence in some of the political parties adhering to that premise.

Mr Corey: No, I do not think that is a fair presentation of our position. We fully support the position of parties and advocated at the last election that parties pledge no to water charges. The majority of parties did so, and those parties are now elected to be responsible. As I said in my presentation, we see the Bill as a case of politicians actually delivering on an election promise.

The Chairperson: One final point, John. In 2016, Northern Ireland Water does not really know where its finances are coming from. Do you think that it helps Northern Ireland Water to plan investment in terms of funding, or is the number of years for short-term funding restrictive? How do you see that it could plan better?

Mr Corey: We hear the argument that the constraints of the public expenditure regime inhibit NI Water's long-term planning, particularly on strategic investment. We accept and recognise that NI Water does have to have longer-term planning, particularly for capital investment. However, we do not accept that it is impossible to have long-term planning within the public expenditure regime. Governments have to have long-term planning. So we do not think that there is some impossible barrier within public expenditure regimes to stop NI Water and the Department, along with the Utility Regulator, as appropriate, working out arrangements whereby NI Water can set out its capital investment programme and its sources of income, which would include — fairly — public expenditure contribution.

For example, we read that the regulator is now considering what he is calling PC15, which will be a six-year price control plan, going up to 2021 on that basis. We think that that is evidence that it is possible within the current structure to have longer-term planning for capital investment. The main point I am making is that we do not accept the premise that you must fundamentally change the current structure in order to enable NI Water to have longer-term strategic investment planning.

The Chairperson: One of the problems at the moment is with capital and carry-over from one financial year to another. That is not possible, as you are aware, and that is very restrictive. For instance, this year there would have been a possibility for Northern Ireland Water to have carried some money over for major capital projects, which, in many cases, could alleviate flooding problems, etc. The flexibility is not there to allow for that, so you are suggesting that that needs to be looked at and possibly changed as well.

Mr Corey: We accept your point that there have been problems around end-year flexibility. As I understand it, that used to exist, but it has now become more restrictive. Those issues should be examined in order to find ways and means to overcome any deficiencies there. I do not have a detailed knowledge of this, but my understanding is that an organisation such as NI Water can gain more flexibility if it can demonstrate that its income stream contributes more than 50% of its funding requirement. That would enable it to secure greater flexibility within the current Treasury rules. If there was an examination of the contribution that householders make through the regional rate system, again, there might be possibilities to address this through that mechanism.

We do not dispute that these mechanisms should all be examined. What we are saying fundamentally — this is my last point — is that Northern Ireland Water should remain as a public service and that householders should not be faced with separate water charges.

The Chairperson: OK. Thank you very much indeed, John. Your presentation has been very helpful to the Committee. I thank your colleagues as well. I am sure that we will hear from you in the future.

Mr Corey: Thank you, Chairman. We wish you well, and we are glad to see you back.