



Northern Ireland
Assembly

Committee for Regional Development

OFFICIAL REPORT (Hansard)

Inquiry into the Coleraine to Londonderry
Rail Track Phase Two Project: Department
for Regional Development

28 January 2015

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Members present for all or part of the proceedings:

Mr Trevor Clarke (Chairperson)
Mr Seán Lynch (Deputy Chairperson)
Mr Joe Byrne
Mr John Dallat
Mr Declan McAleer
Mr Stephen Moutray
Mr Cathal Ó hOisín

Witnesses:

Mr Ciaran Doran	Department for Regional Development
Mr John McGrath	Department for Regional Development
Mr Stephen McKillop	Department for Regional Development

The Chairperson (Mr Clarke): OK, John. I do not think we need any introductions. Most of your members are familiar to the Committee. Do you need to make an introduction, or do you have any notes that you want to read in first?

Mr John McGrath (Department for Regional Development): I will just make a couple of comments, Chair. I am very conscious of the sort of steer that you gave earlier, and I do not want to occupy any more time on territory that you might not want to go through, so I will not speak too long at all. First of all, we are glad of the opportunity to come —

The Chairperson (Mr Clarke): Sorry, maybe for the benefit — I do not know if that is the press there — but we have Stephen McKillop —

Mr McGrath: I was going to introduce —

The Chairperson (Mr Clarke): Sorry; OK.

Mr McGrath: First of all, we are glad of the opportunity to come along and contribute to the Committee's inquiry. It is a serious issue that has been recognised by the Minister in his response to it. With me today I have Ciaran Doran, who heads up the responsible directorate, and Stephen McKillop, who works within that and has been an attender at the project board.

The Minister attended the Committee on 12 November and, since then, the Department has replied to a number of departmental assembly liaison officer (DALO) requests for information. Hopefully, Chair,

we will be in a position to respond to any detailed questions you have, but obviously there is an awful lot of information in that. We are here at the Committee's request and at the Committee's service, and we hope to be able to address any questions that you have.

I would just like to briefly summarise where we and the Department sit on the issue. I will not repeat the progress that David outlined, but it is important to note that, since the original statement that the Minister made, we have had a revised business case that has gone to DFP. We have approval now to move to tender. That took place last week. There is a timetable for the completion of that process, which David outlined. That will then require a final business case to go back to DFP before contracts are signed.

The Minister is currently looking at his capital programme, primarily for the next financial year, but has made it clear, with all of the necessary clearances, that he will make provision for the higher costs for phase 2. I know that there have been difficulties in that, but the view the Minister takes is that the project is largely back on track. It is on track to be delivered largely within the original timescale. We have intervened to address — and are continuing to address — what went wrong to ensure that it does not happen again. That is a big issue for us.

The current cost of the project has been tested by us and by DFP. The taxpayers' interests are being protected, and we are largely on course to deliver this Programme for Government commitment. I realise that there are issues about how it happened and why it happened. From our point of view, we entirely agree with that. The third element is what assurances all of us can gain that it does not happen again. That is a big issue with us at the moment. We have an assurance review on the project assessment review (PAR) report coming up in a matter of weeks. The Minister is about to commission a wider exercise across all of his capital projects about how they are costed, the degree of assurance, how they are monitored and how they are reported. No doubt, in due course, the findings of that will come back before the Committee for discussion. That is part of our looking not only at how to ensure that it does not happen again in Translink but at whether there are any lessons that we need to learn across the entire handling of capital in the DRD family.

The Chairperson (Mr Clarke): Thank you, John. Hopefully that is reassuring. We do not know; the proof will be in the pudding. One of the things that I have learned since I have come into this position is that DRD is very slow in looking at itself and apportioning blame. It will blame others — I think only last week it was going to blame the Water Service in relation to some of the stuff, but was not interested in having a review of its organisation in relation to its input to the water debacle. That is for a different day. In your opening comments, John, you talked about PAR. What can you tell us about the review?

Mr McGrath: The Minister's statement outlined the review, Chair, and went through a number of the high-level conclusions in the report. He made it clear that there were some issues that meant that he did not feel able to make it public until the procurement was complete — as in, when the contracts are let — and that remains the case.

The Chairperson (Mr Clarke): We are the scrutiny Committee. We are not the public, so —

Mr McGrath: I fully understand that.

The Chairperson (Mr Clarke): — what can you tell DRD's scrutiny Committee about PAR?

Mr McGrath: I can refer to what the Minister said on the day of his statement. He gave its high-level conclusions, which have been taken forward. We have an implementation plan that has been —

The Chairperson (Mr Clarke): How many findings were in the review?

Mr McGrath: There were about a dozen.

The Chairperson (Mr Clarke): About a dozen —

Mr McGrath: Yes.

The Chairperson (Mr Clarke): — and you cannot give us any flavour of the findings.

Mr McGrath: I cannot give you any more flavour than the Minister felt able to give in his statement, Chair.

The Chairperson (Mr Clarke): Are you familiar with section 44 of the Northern Ireland Act 1998?

Mr McGrath: Not really.

The Chairperson (Mr Clarke): Section 44 of the Northern Ireland Act gives us the opportunity to summon papers to the Committee. Maybe I should ask members whether they are content that we seek legal advice. I have personally come under criticism from the Minister for not being across my brief. It is difficult to be across your brief when the Department withholds papers. Are members content that we ask for legal advice to exercise our section 44 right to ask for people and papers relating to PAR?

Members indicated assent.

The Chairperson (Mr Clarke): OK. So —

Mr McGrath: Sorry, Chair, that is obviously within your rights. I would just make the point —

The Chairperson (Mr Clarke): You are a senior official in the Department who is here to assist us, allegedly, in an inquiry into the Coleraine to Londonderry rail track phase two project. This review was commissioned, and we are supposed to be able to scrutinise you and your Minister about what you do or do not do. The obstructive nature of DRD officials in preventing us seeing the papers is making the Committee's role and its work very difficult. We will leave it there if you are not prepared to comment on that any more, John.

Mr McGrath: Chair, I am taking my brief from the Minister as he outlined in the statement on the day. I am not endeavouring to be obstructive. The only point that I make is that I trust that you have faith that the Minister is taking that line for good reason as opposed to any obstructive reason.

The Chairperson (Mr Clarke): I would not trust the Minister to be doing it for any good reason. This is the Minister who came to the House weeks after he knew that this line was in jeopardy and who, on numerous occasions now, has treated this Committee with utter disrespect. We have a role to play, and the Department and Minister have made that role very difficult. We had what was referred to as the "best guesstimate" of £20 million. At the same time as the public, we heard the figure of £40 million in the House. So, I do not trust the Department or the Minister on anything at the moment. The sooner we can get that trust, the better. Unfortunately, we have not had a very good start with the Department.

Mr Dallat: In your opening remarks, John, you said that you wanted to learn from the past. Do you agree that you have been extremely slow learners? I will justify that remark. I have been on the Public Accounts Committee for 14 years. The cost of the Belfast to Bangor line, which was referred to earlier, started at £13 million and went up to over £30 million. They then threw the accounts in a skip and went off to Wicklow for the weekend. What has happened since then?

The Chairperson (Mr Clarke): Did they go on the train?

Mr Dallat: They did go on the train. Is that how you learn from the past?

Mr McGrath: First, some of these issues predate my time, but I take the view that you can never say that you cannot learn from practice.

Mr Dallat: The point that I am making is this: what confidence could the Committee have that you are learning from the past?

Mr McGrath: On this issue, you can take confidence that, first, when the higher cost came out, we advised the Minister to accept the recommendation to commission the project assessment review to find out what had happened. PAR makes it clear — the Minister referred to this in his statement — that there are weaknesses, particularly in getting assurance on cost. In this case, there was a single source of information on the cost, and that should have been tested. I have taken that point into the

wider Department by saying that, in future, when we have projects that are in any way different, cannot be benchmarked or have no track record for comparison, we need to get a second opinion on cost. We are learning that. We are commissioning a wider review, and that will be a key issue that is tested.

I do not take the view that the Department was completely blameless and had no lessons to learn from the exercise. Obviously, we did because it was our business case that went to and was cleared by DFP. So, I do not take the view that we can turn round and say, "We were all right". There are clear issues, in our view, in that we did not fully understand the high-level nature of the estimate. About 10 minutes ago, Clive gave a very good summation of why all that happened. We did not realise that at the time. We have lessons to learn about interrogating the nature of the cost at an earlier stage — how it is made up and the evidence that it is the cost. We are learning those lessons and will pick them up. We have things to address. There are issues in the history of this, and we need to look back and say that there were issues. I think that, after the Invensys bid was turned down, more alarm bells should have been ringing: maybe that bid was not right; did it raise the possibility that we were not going to stick to the £22-odd million? That is another lesson that we need to pick up on for any future exercises. We are not here, Chair, to say that we are blameless or that everything was perfect. It should not have happened. At the same time, as I said to Mr Dallat, this is not Belfast to Bangor. We have not let contracts go through the roof. We have intervened and have a new business case that is a long way towards approval. We have got this project right, but the problem is that the costs were underestimated. They have not overrun; they were underestimated, and the complexity of the project was not fully understood. Clive gave a good summation of that before we came to the table.

Mr Dallat: Our inquiry is trying to identify what was wrong, and that is what we are trying to do this morning. I understand that the closing date for the appointment of a new chairperson is Friday. Will that be an opportunity to learn from the past, or will we just get more of the same?

Mr McGrath: We are running a public appointments process, and there are rules about public appointment processes. We take seriously the responsibilities that we place on the chairman.

Mr Dallat: I am trying to be good to you, John, and I am trying not to —

Mr McGrath: I welcome that.

Mr Dallat: — put all the responsibility on your shoulders. Do you have any influence over a board of directors that is clearly not at the game at all?

Mr McGrath: The Minister made it clear in his statement and since that he is not happy that this happened and that there are questions about the oversight of the project. That takes a line from the Department. I am the SRO for the Programme for Government for the project, the role of Translink and its board in overseeing and the role of the project board. We asked Translink to review the leadership and oversight of the project board, and David has reported that it has ramped that up a bit.

Mr Dallat: "Ramped that up a bit": tell us more.

Mr McGrath: David said that the project board is now chaired by a member of the executive board, namely Philip, and we have asked that there is a clearer line of sight between the project board, the executive team in Translink and into the Department through me, as SRO, and to the Minister. It is much clearer. You are quite right that the board of Translink, as with any board, has the responsibility to be seen not simply observing but monitoring, managing and challenging.

Mr Dallat: You will agree, John, that this was a train crash waiting to happen because correct procedures were not in place. You gave a responsibility to a motley crew who work three or four days a month, collect big salaries and do not give a damn about the north-west.

Mr McGrath: Mr Dallat, I did not say or imply that; I am talking about this specific project. It could have had better challenge and better oversight throughout. It has had a chequered history running from the larger project and the division into three phases, and some failings were evident in how that moved forward. Translink and the Department agree that the oversight of it throughout could have been strengthened. It would be unfair to hang the Translink board out to dry with the sort of descriptors that you used.

Mr Dallat: Finally, do you agree that it is the case that we have a train service despite your efforts rather than because of them? Your Department wanted to close it in 2001. People voted with their feet. We were on the train yesterday, and it was packed to the gills. There is a capacity problem. Is it not now time that you showed some leadership and ensured that this very costly mistake does not impact on the future of creating a proper intercity service between two cities that should not have been influenced by a City of Culture event that lasted for one year or some other one-off event? What influence were you having on the long-term future of this railway?

Mr McGrath: At a personal level, I can speak only for the last 12 months because I was not in DRD before then.

Mr Dallat: You are lucky.

Mr McGrath: The Minister made it clear that this line would not still be running had it not been for his intervention.

Mr Dallat: That is true.

Mr McGrath: He has made a commitment to restore this line throughout and remains very much committed to it. Passenger numbers are rising, and he has made clear that, if this procurement runs and contracts are there to be let, he will put up the money to let this go ahead and give the assurance that Joe Byrne was looking for. He is committed to this line. We can debate whether wider interest in the line has been triggered by the City of Culture, and whether that was the right thing to have happened, but the Minister has been committed to this line throughout. The City of Culture may have engendered wider political support for it, but we are where we are. The Minister is committed and wants this project to be delivered. As far as he is concerned, it is on track to be back on course and where it should have been, and it will be delivered towards the end of 2016.

Mr Dallat: Finally, you have a huge embarrassment now. You have a rail service carrying more passengers than the Belfast to Dublin one, and you have not put in place the infrastructure needed to accommodate that.

Mr McGrath: We are working on that, John. If carrying that number of passengers is an embarrassment, it is not the worst embarrassment, to be honest.

Mr Dallat: No, but it is one that could have been avoided. It could have been there for 12 months, so we will not —

Mr McGrath: I think that there were other factors involved. The explosion in passenger numbers that Phil talked about could not have been foreseen. However, one factor in that was the extension of concessionary fares to people aged between 60 and 65 years, which has contributed significantly to rising numbers across the piece.

The Chairperson (Mr Clarke): I disagree with that point, John, and I will tell you why. I went on that train a number of years ago and would not get on it again because I felt it to be unsafe. The fact is that the train was upgraded. Anyone with common sense knows that passenger numbers will increase if the line is given more modern trains and a track that is safe. There was a section on which trains were travelling at 10 mph and people still felt unsafe. So, to assume —

Mr McGrath: I would not disagree at all, Chair.

The Chairperson (Mr Clarke): This is why I fundamentally disagree with whoever commissioned this work. It looks at other models, but you could not apply that model to this line, where, if it was not a landslide at the Downhill section, it was an unsafe piece of track. People did not want to get on to the train. Once that was fixed, it was, I have to say, a no-brainer that passenger numbers would increase dramatically. The journey from Coleraine to Londonderry is now a simple one, but it was not simple when the track was unfit and the carriages were doing only 10 mph.

Mr McGrath: I entirely take that point, Chair.

Mr Dallat: I have just one final thing to correct —

The Chairperson (Mr Clarke): Is this really your final point?

Mr Dallat: Yes. The survey clearly shows that the success of this train is not entirely driven by people over 65, and it is wrong to say that.

Mr McGrath: No, John, I did not mean to say that it was entirely driven by them. I said that it was a factor, which, at the time of the survey, was not played into it.

Mr Dallat: It was not a major influence at all. Passenger numbers are influenced by education, tourism, business people and commuters. So there are no excuses.

The Chairperson (Mr Clarke): Of course, the other point is that DRD was not that interested in concessionary fares. It took DFP to pull it out of another hole and give it additional money. It is not as though these passengers travel free, albeit that they are paid for by another Department.

Mr Dallat: Exactly.

The Chairperson (Mr Clarke): John, let me take you back to the PAR report, the one that you do not want to talk about. You talked about approximately 12 findings. How many of those were red and how many amber?

Mr McGrath: No, they were recommendations.

The Chairperson (Mr Clarke): So there were no categories. It is difficult for us because we cannot get a look at the report.

Mr McGrath: Chair, I hope that you will have access to the report before too long. I have no difficulties about that, and I know that the Minister would fully support it.

The Chairperson (Mr Clarke): For the benefit of those listening, perhaps I should put it on record that, whilst we will use section 44, we have already requested these papers and suggested that we would accept this document even if commercially sensitive stuff had to be redacted. The fact is that we were still prevented from having it. The Minister will be quick to hide behind the commercially sensitive stuff. We would have been content to see those papers with that information redacted. John, you can understand our frustration. We even asked for a minimised report, but we could not have it.

Mr McGrath: I can fully understand the point, Chair. As you present it, it is perfectly reasonable. The only point that I would make is that redacting a certain section might still allow a well-tuned observer to come to some conclusions about what might be in the redacted bit. That is the best that I can manage on that.

The Chairperson (Mr Clarke): I appreciate that, but let me remind you of what you said at the outset: you referred to the commercial sensitivities in the document. What we are saying is that our request was that we would have accepted it with those redacted. It seems that you are preventing us seeing it because you are concerned that we actually see the detail of it, which is something that we will see at some stage. That will not take away from what is in the PAR when we get sight of it.

Mr McGrath: No, Chair, and I hope that when you have sight of it, you will understand the caution around the issue and see it —

The Chairperson (Mr Clarke): It is difficult for us to carry out an inquiry.

Mr McGrath: I fully understand that. The Minister —

The Chairperson (Mr Clarke): We are blindfolded and have our hands tied behind our back, and we have to try to comment on where DRD and Translink went wrong.

Mr Ó hOisín: Chair, I am glad that you clarified our roles and responsibilities as a scrutiny Committee. We have the same powers as the courts. This would not be acceptable in any other circumstance. We are sitting here in an inquiry without the adequate information in our hands.

That said, I hear — just as an aside, wearing my CAL hat — the City of Culture being mentioned as the panacea to all that was wrong. That was certainly not the case in what we listened to here last night. The City of Culture was a success despite what was going on elsewhere. That cannot be held up as any great cure for everything.

DFP has guidance on managing public money: was that high standard of probity used? We are looking at a margin of error of 100% here in the costings and, indeed, in the contingency funds to cover all of that. Was that high standard used?

Mr McGrath: Absolutely. Once it became clear that the costs for this were —

Mr Ó hOisín: John, this is a moving target. If you have a 100% margin of error —

Mr McGrath: I know that, but, Cathal, the way it works is that, if it came in at more than 10% above the original cost, you would have to go back to DFP with a new business case. I grant you that this came with knobs on, but that is the point: at that level, it is back to a completely revised business case, submitted to DFP. I think that you understand that our colleagues in DFP would be highly challenging, in the same way as we were, in order to be satisfied that, in bringing it back, there is greater assurance on the costs now than there was previously. They will come to this with the same sort of take as you. We have gone back, and we have given them information. We have given a fair degree of assurance on that. They have agreed that we can go out to tender. They want to see a final business case before they go to contract, but that is entirely reasonable given the history to date, and the Department would also support that.

Mr Ó hOisín: Was the timescale entirely reasonable, too?

Mr McGrath: It is out to tender. David Strahan outlined the timetable for that. To do a final business case, if the costs come in and they are in the territory of the updated business case, this should be largely a *[Inaudible.]*. There is just a degree of caution in DFP. It is entirely in line with managing public money and, I think, entirely sensitive to where we are with this. We think that we are in the right territory now for a degree of assurance. We will have an assurance on the PAR work. The same team will come back in several weeks to check that what they said should be done has been done to the right level. Assurance on cost is the central thing there, so we are building as many safeguards as we can into this to get it over the line.

Mr Ó hOisín: Chair, the two words that come out of all this are "if" and "maybe". It is still open-ended as far as I am concerned.

Mr Byrne: I will follow the line that I approached Translink with: have we now reached the stage, John, at which the outline business case is robust and can stand up to scrutiny? Has the Department agreed with Translink that this is now a robust outline business case?

Mr McGrath: DFP has scrutinised the business case and agreed that we can go to tender. It has not given complete approval simply because of the sensitivity of rising costs. In one sense, it does not matter because even if DFP approved the business case fully now and the tenders that came in were more than 10% higher, we would have to go back to it anyway. So, effectively, we are where we want to be. If those costs come in and are in line with what is in the current business case, the figures that we talked about, we are ready to go. The Minister has made it clear that he will find the money.

Mr Byrne: That is the second question: are the Department and the Minister now at one so that, if the finalised business case comes in and the tender process reaches an outcome, we can go ahead as per the timetable?

Mr McGrath: If the tenders come in and are in line with the business case, I am quite satisfied that the final business case could be approved and the money is there. The Minister is looking at it, but he has already made it absolutely clear that he will find the money for this from his capital provision.

The Chairperson (Mr Clarke): Where we are at today is welcome. I am just bewildered about how he will find the money, mind you, because he could not find £5 million to fix street lights. Anyway, that is for a different —

Mr McGrath: The £5 million for street lights is resource spend, which is in a critical position. Capital next year is not great, but it is nowhere near as bad as the resource position. We have £320 million next year to cover the totality of DRD. We will not do everything that we want to do, and I am quite sure that members will see that some projects do not go ahead, but we still have £320 million to spend.

Mr Dallat: It is important, to pick up on John's point, to differentiate between revenue and capital.

The Chairperson (Mr Clarke): Yes. I understand that.

Mr Dallat: This is a capital project that has escaped the wrath expressed about street lighting, pot holes and stuff. I do not think that we would want to have the message going out in the north-west this morning, particularly when we are in the city of Derry, that somehow or other this will not go ahead.

The Chairperson (Mr Clarke): I take your point, but I also worry, John, in case it is either/or. I hope that it is not.

Mr Dallat: Absolutely.

The Chairperson (Mr Clarke): The road to get here is also pretty substandard. When I was just outside Magherafelt, I had 43 miles to go, a journey that you should do in 45 minutes. It takes over an hour because of the nature of the roads and the fact that you have to squeeze through Dungiven. You have to sit behind lorries at 40 mph. In this day and age, that is too long. So, I hope that it is not a case of either/or. The Minister has committed to finding money for the railway track; let us hope that he has the money for roads as well.

Mr Ó hOisín: Maybe we could end on a positive, Chair, by welcoming the fact that the work will start in May, if that is indeed the case.

The Chairperson (Mr Clarke): Absolutely.

John, there is much more that we would like to ask you, but, as I say, you have us blindfolded and our hands tied behind our back. As soon as we get that document —

Mr McGrath: Chair, you do not look as though you have your hands tied behind your back. *[Laughter.]*

The Chairperson (Mr Clarke): As soon as you get that document, we will revisit some of this because I think that there will be some interest in it.

Mr McGrath: Absolutely, Chair. We will have no difficulty coming back at that stage.

The Chairperson (Mr Clarke): Thank you.