

Ministerial Statement

Coleraine to Londonderry Rail Track: Phase 2 Project

Mr Principal Deputy Speaker: The Minister for Regional Development wishes to make a statement.

Mr Kennedy (The Minister for Regional Development): Thank you, Mr Principal Deputy Speaker. With your permission, I wish to make a statement on the Londonderry to Coleraine rail track, specifically phase 2 of the project. I set out in a previous statement on 10 October 2011 my continuing support for the key Programme for Government commitment to improve the rail link between the two main cities in Northern Ireland. Phase 2 is one part of that.

Members will recall that this key project is being taken forward in three phases. Phase 1 involved the relaying of the end sections of the rail line at Coleraine and Londonderry, completing essential bridge works in those locations. That was completed in March 2013 within budget and ahead of time. That ensured that, having addressed the immediate safety concerns, Translink continued to run services in and out of Londonderry every week. Phase 2 involves the completion of resignalling works and the construction of a new passing loop. Progress on that phase is the key focus of the statement. The passing loop creates the infrastructure for a more frequent hourly service. Phase 3 involves a full relay of the middle sections of the track between Coleraine and Londonderry and the potential introduction of a half-hourly train service.

There are always risks attached to major capital projects, including procurement risks. I referred to that previously, in my statement in 2011. Whereas phase 1 has been delivered smoothly, on time and within budget, that has not been the case with phase 2. In September 2013, I explained in response to a question for oral answer that Translink had encountered difficulties in connection with the procurement on phase 2. Translink took the decision last summer to abandon the planned combined design-and-build procurement and to start again. That meant that the project would be delayed for around one year. At that time, I made clear my disappointment with Translink, specifically at the way that the decision was communicated and its impact upon the timetable for the project. Therefore, I mandated Translink to make the delivery of the project an absolute priority going forward. On top of that,

Translink took the procurement forward on the basis of a separated design-and-build approach for the signalling works.

However, in the light of this detailed design work, it has become clear that the projected cost of between £20 million and £22 million for phase 2, prepared by Translink in September 2011, was a gross underestimate. The detailed design work now suggests that overall costs could be of the order of £40 million. Translink made my Department aware of that development earlier this summer. Given the gravity of the issue, I immediately commissioned an external review of the project management and the updated cost estimate. The review was in the form of a project assessment review (PAR) commissioned through the Major Projects Authority of the Cabinet Office, which is a process normally reserved for projects seen as central to the UK economy, such as high-speed rail.

The review took place in mid-September, and a final report was presented to me at the end of September. Because the report deals with commercially sensitive information, I do not intend to make it available at this stage. The key conclusions are that the original cost projection was a high-level estimate not backed up by any detailed planning or design work, which Translink did not make clear at the time; that the original projection was underestimated at least partly due to failure to build in contingency at an appropriate level for a complex signalling project of this kind; and that relying on a single source of cost estimation, even if it is independent and specialist, in the original appraisal and currently, represents a potential vulnerability.

That remains an issue, and the review recommends that a further review of the latest cost estimate be undertaken.

Other key conclusions are that a figure of £40 million, including an appropriate level of contingency is more realistic for the overall project; that, although this is a significant project in Northern Ireland terms, it is relatively small in national terms and thus may not be seen as particularly attractive by suppliers; and that, based on the information provided to the review team, the Translink decision not to proceed with the single bidder last year was justified.

The review makes a number of recommendations on how to take the project forward, including an immediate engagement with the supplier market to generate interest; a further check on the cost estimate to inform a

pre-tender estimate; applying a higher level of contingency to a cost estimate for an updated economic appraisal using guidance in use in the Department for Transport; and reviewing the content of the contract for the signalling element of the project to ensure that it is clear that contractor payments have an upper limit.

I have accepted the project assessment review and its recommendations. My officials have engaged with Translink to draw up an implementation action plan. Progress will be subject to a further external review in December before a decision is made to enter into a contract. One of the key review recommendations is a lessons-learned plan, to which I attach particular importance. I expect the Translink board to address that urgently and for the new group chief executive to grasp the issue. I will not tolerate anything like this happening again. I will also commission a review of how my Department assesses and reviews all major capital projects, not just those in Translink, and review reporting arrangements to me on particularly important projects.

The findings of the report disappoint me. Translink continued to plan using figures that were not based on fact. The original estimate was frankly little more than a guesstimate. Unfortunately, as a result of the review and the resolution of the issues arising, there may now be a further minor delay to the project. Needless to say, I am very disappointed and let down by that. Translink has had custodianship of this key Programme for Government commitment and has singularly failed to discharge it effectively. Nevertheless, I remain committed to the project and to improving transport links between the two cities.

My priority now is to move to procurement. We are at an important point in the project. Translink must begin the procurement process for the signalling part of the project soon if we are to get close to the revised timetable of the end of 2016. As I said, I remain fully committed to the completion of phase 2. There are two pressing priorities to enable the signalling procurement to proceed. First, an updated economic appraisal must be produced to validate phase 2 remaining value for money. That is already in hand and will be supplemented by a further independent review of costs before the procurement. The revised appraisal will require DFP approval. Secondly, I will engage with Translink and look again at capital plans in my Department over the next two years to establish how the project will be funded.

(Mr Deputy Speaker [Mr Beggs] in the Chair)

I realise that this is not a pretty picture after the aborted procurement last year. It is clear that the project cost was underestimated from the start, but there have been no cost overruns and no taxpayer money has been wasted. Members will no doubt ask why more problems have arisen on phase 2, when phase 1 was delivered on time and on budget. Translink started the process by combining both elements in one overarching design and build procurement. That appears to have been based on a template that is more relevant to a straightforward construction project than this project. The cost of the signalling element has clearly escalated, partly because splitting the project between permanent way construction and signalling involves two contractors being brought in at different times and, to avoid a line closure, overnight and weekend costs may increase. When that is combined with the fact that specialist staff rates have increased since 2011 because of market conditions, it means that the overall projected cost of phase 2 is higher.

4.00 pm

The decision last summer to separate the signalling and passing loop elements and the design of the signalling from its construction led to some delay. However, it was the detailed design work that laid bare the inadequacy of the previous estimate.

I am disappointed with the way in which Translink has managed this important project, given the particular importance that I attach to it and its Programme for Government status. I expect the Translink board and the new chief executive to review the organisation's failings comprehensively. As I said, I expect a comprehensive lessons-learned exercise and follow-up actions before too long.

My focus now is on sorting out a practicable and affordable way forward. I must be candid with Members and say that risks remain with the project, notably land purchases around the Bellarena passing loop and a potential lack of interest from suppliers. I will, however, expect my officials and the Translink board and senior executive team to manage those risks proactively and keep me fully informed.

Members will recall that I inherited a situation in 2011 in which there was a very real risk that the rail line between Coleraine and Londonderry would be closed for safety reasons because no budget had been set aside to carry out the essential track work that was needed. I took

immediate action to ensure that the line remained open, and the completion of the first phase of the project in early 2013 demonstrates my commitment. I have made the newly installed Translink chief executive aware that the next stage of the project must be a priority for him, and I assure Members that I will deal with any further failings. However, let us be clear: if I had not intervened in the first place, a service would not be operating on the line. I am committed to delivering an improved rail service on the line, and my actions demonstrate that.

My record on delivering improved rail services is also clear. We had a record number of 13 million passenger journeys last year, and there has been growth on all lines, including Coleraine to Londonderry. We have also had record customer satisfaction levels and fares that compare very favourably with other parts of the United Kingdom and the Republic of Ireland. I commend the statement to the House.

Mr Clarke (The Chairperson of the Committee for Regional Development):

I thank the Minister for affording me an opportunity to meet him to discuss the statement this morning. Unfortunately, due to business in the House, I was unable to make that meeting.

I listened to the statement, and the Minister repeated the word "disappointed" a few times. Rather than feeling disappointed, I think that he and his officials should feel culpable for the shambles of the way in which the Department handled the project. The Minister has been a cheerleader for the procurement process over the last 12 months and highlighted it as a model in the past, yet, in his statement, he alluded to the shambolic nature of the project and how Translink led it. That is very unfortunate and disappointing. It certainly is unfortunate and disappointing for members of the Committee for Regional Development and the wider public.

Will the Minister explain to the House why he is washing his hands of the procurement process that he and his officials defended over the last 12 months? Will he also explain how he will engage with Translink whilst looking at how the project will be costed within his Department's capital budget? Finally, will he outline whether the relationship between Translink and the Department is a case of the tail wagging the dog?

Mr Kennedy: I am grateful to the Chair of the Regional Development Committee. I am sorry that, for reasons of business in the House and meetings, we were unable to engage.

We did, however, take the opportunity to brief the Deputy Chair and the Clerk to the Committee, and I know that it was the Clerk's intention to relay that to the Chairman.

To say that I am disappointed is an understatement. I am very angry indeed that we have arrived at this situation. I remind the Member and the House that, in this operation, the original underestimate is where the fault lies. The cost was woefully underestimated as being in the region of £20 million to £22 million; a more accurate estimate of £40 million has now been arrived at. So, at least we know now the true extent of the work ahead of us. I am glad that the Member indicated the importance of this line and project, not least because it is a key element of the Programme for Government. I give him this assurance: I will pursue it and ensure that it will be pursued. I have made that clear not only to the board of Translink but to its new group chief executive. He is aware of my personal interest in this, and we will pursue it. I am not washing my hands or seeking to put others in the frame; I am simply saying that Translink, at an early stage, got this terribly wrong. It is important now that it recovers the position and that we move forward to progress a project that has, I believe, widespread political support.

Mr McCartney: Go raibh maith agat, a LeasCheann Comhairle. Gabhaim buíochas leis an Aire as a freagraí agus as a ráiteas. I thank the Minister for his statement and his answer to the first question on it. He talked about his anger and disappointment, which I know that many will share. Obviously, the Committee will delve into this in more detail. Here is another capital project — there are reports just this afternoon about the college at Desertcreat — in which consultants are paid large sums to come up with a project design.

Mr Deputy Speaker (Mr Beggs): Can the Member come to a question, please?

Mr McCartney: The consultants give us a cost, and we discover months later that it was grossly underestimated. Will the Minister give an assurance that he will find out why this went wrong, particularly the first estimate?

Mr Kennedy: I am grateful to the Member for his question. That is why it is so important that we have a lessons-learned review. The new group chief executive appears to be an almost ideal candidate to do that, given that he comes to the company from the private sector and will be able to assess the failings of the original

procurement process. I share the anger and the disappointment. I am determined that we move forward, and we will do that at all stages. I have cautioned that there may be reasons for suppliers not showing the necessary interest as we go forward, but let me be absolutely clear that Translink will be expected to deliver this Programme for Government priority on behalf of my Department and me.

Mr Dallat: Let me put on record my acknowledgement of the contribution that the Minister has made to there still being a railway line between Coleraine and Derry. That said, there might be some excuse for botching a procurement procedure once, but surely doing it twice is inexcusable. What has the Minister to say about the future of Translink and its motley board being in charge of an intercity rail service?

Mr Kennedy: I am grateful to the Member for his question, and I understand the frustration behind it. However, as I said in my previous answer to Mr McCartney, I expect Translink to deliver this project, and I am determined that it will. I am equally determined that, going forward, the lessons from this incident and process will be learned. We will pursue the issues in Translink as well as in my Department.

Mr Swann: I am sure the Minister is frustrated, as are his party colleagues in Coleraine and Londonderry. He has put that frustration across very well today. Given that the Minister brought in the high-level Cabinet review team, which identified that the original cost projection was a high-level estimate and not backed up with detailed plan or design, can he confirm that the new chief executive and his management team are fully aware of his dissatisfaction with the poor performance? Can he give a reassurance that any other projects that are being held by Translink in a similar process will be reviewed?

Mr Kennedy: I am grateful to the Member for his question. I am sure that there will be anger and frustration among the political representatives in councils and the Members from the area affected. I have already met Translink's new chief executive. He took up position last Monday. He is in no doubt as to the gravity with which I view the issue, and he is aware of the clear level of disappointment that I have expressed. I fully expect all the recommendations of the Whitehall Cabinet Office review to be implemented by Translink and accountability to be properly accepted, corporately and, may I say, individually.

Mr Lynch: Go raibh maith agat, a LeasCheann Comhairle. Gabhaim buíochas leis an Aire as an fhreagra sin. Minister, thanks for the briefing this morning. I know that this procurement process has lurched from crisis to crisis. You said that the £20 million came about as a result of "guesswork". I think that was the word you used. Guesswork is a very bad tool to use in estimating the cost of a major project like this. What confidence can we have in Translink to deliver the project?

Mr Kennedy: I am grateful to the Member for his question. I said that it amounted to "little more than a guesstimate". I believe that that is justified criticism; it is serious criticism levelled on my behalf and on behalf of those who undertook the review. Let me state this again: that review was done at a very high level by the Cabinet Office at Whitehall. So, we cannot be accused of not taking this situation seriously. We have to move the situation on. I have already outlined my intention that the new chief executive of Translink and the Translink board will carry it forward. I will be taking personal interest in it and will not rest until we see substantial progress on the project that is acceptable to me, my Department and Members.

Mr Eastwood: I thank the Minister for his statement. I find it absolutely astonishing that, when we are talking about tens of millions of pounds of public money, an organisation like Translink is able to guesstimate the cost to the public purse, end up getting it wrong and the costs, potentially, end up being more than double the guesstimated cost. This is an important question, Minister: are any heads going to roll in Translink over this fiasco?

Mr Kennedy: I am grateful to the Member for his supplementary question. If he was listening closely to a previous answer, he will have heard that I fully expect the recommendations of the Whitehall Cabinet Office review to be implemented by Translink and accountability to be properly accepted, corporately and individually.

Ms Sugden: I share the disappointment of many Members. I am mindful that we are to welcome the British Open in coming years. Will the infrastructure, including an appropriate Coleraine to Londonderry line, be in place, or will we be constantly facing further delays and significant costs to the public purse in the next few years?

4.15 pm

Mr Kennedy: I am grateful to the Member for the question. She will know and, at least, recognise my efforts to restore the line and make it ready for the future so that it can help to host events such as the Open in 2019. Phase 2 should be completed within that time frame, and we will seek to achieve that.

I remind the House that, when I came into office, I inherited the Coleraine to Londonderry line, which was simply in mothballs and being earmarked for closure. We have moved heaven and earth to make sure that it has been rescued and retained. We need to build on that and move to the next stage of the three-phase upgrade. That is a continuing commitment that I give again to the House.

Mr Ó hOisín: Go raibh maith agat, a LeasCheann Comhairle. Gabhaim buíochas leis an Aire. The Minister's memory of the Derry to Coleraine section being mothballed is slightly different from mine. I will reflect the comments of others. There will be anger and disappointment in the East Derry constituency and in the wider north-west. The Minister said that there was a possibility of suppliers not being interested. Could that further delay the project going ahead and, if so, for how long? The Minister will be cognisant that many other infrastructure projects in the north-west have been delayed.

Mr Kennedy: I am grateful to the Member for his question. I simply raised the issue of the contract work ahead because it is specialist, and my understanding is that it is carried out by a limited number of companies, primarily in the rest of the United Kingdom. We will seek to get the procurement process into place as quickly as possible to encourage firms to tender. I am not about to look forward to further failure on the project. I am determined to see the project succeed and will take every reasonable step in my power and under my control to ensure that it does.

Mr G Robinson: Like my colleagues, I am very disappointed to hear the news that the Minister has delivered here today. I have a couple of points. The passing loop at Bellarena was critical, and lots of people living near that section of the track were looking forward to it. Will you, in your capacity as Minister, make sure that that takes place when the project is back on stream again? How many jobs could be affected by what has happened?

Mr Kennedy: I am grateful to the Member for his interest and his question. I am aware that there are issues around the passing loop at

Bellarena. I will endeavour to write to the Member and give him an updated position on that. Current jobs are not at risk. The important thing is that we move to enhance the service, which will bring benefits as well as increased passenger numbers and will continue to generate public transport availability between Belfast and Londonderry for tourism. For those who work in either destination, it has been an important link and transport benefit, and I want to see it enhanced. That is why I want to see the project succeed as quickly as possible and to overcome any issues that there may be around the passing loop at Bellarena.

Mr Deputy Speaker (Mr Beggs): That concludes questions to the Minister on his statement. I ask Members to take their ease for a few moments as we change staff at the Table.

(Mr Deputy Speaker [Mr Dallat] in the Chair)