

Regional Development Committee

Report on the Water and Sewerage Services (Amendment) Bill

**Together with the Minutes of Proceedings of the Committee relating to the Report,
the Minutes of Evidence and Written Submissions**

**Ordered by The Regional Development Committee to be printed on 23 January 2013
Report: NIA 85/11-15 Regional Development Committee**

Committee Powers and Membership

Powers

The Committee for Regional Development is a Statutory Departmental Committee established in accordance with paragraphs 8 and 9 of Strand One of the Belfast Agreement and under Assembly Standing Order No 48. The Committee has a scrutiny, policy development and consultation role with respect to the Department of Regional Development and has a role in the initiation of legislation. The Committee has 11 members, including a Chairperson and Deputy Chairperson, and a quorum of 5.

The Committee has power:

- to consider and advise on Departmental budgets and Annual Plans in the context of the overall budget allocation;
- to approve relevant secondary legislation and take the Committee Stage of relevant primary legislation;
- to call for persons and papers;
- to initiate enquiries and make reports; and
- to consider and advise on matters brought to the Committee by the Minister of Regional Development.

Membership

The Committee has 11 members, including a Chairperson and Deputy Chairperson, and a quorum of five members. The membership of the Committee is as follows

- Mr Jimmy Spratt MLA (Chairperson)
- Mr Seán Lynch MLA (Deputy Chairperson)¹
- Mr Alex Easton MLA²
- Mr John Dallat MLA³
- Mr Stewart Dickson MLA⁴
- Mr Ross Hussey MLA⁵
- Mrs Dolores Kelly MLA
- Mr Declan McAleer MLA⁶
- Mr Ian McCrea MLA
- Mr David McNarry MLA^{7, 8}
- Mr Cathal Ó hOisín MLA

1 With effect from 2 July 2012 Mr Seán Lynch replaced Mr Pat Doherty as Deputy Chairperson
 2 With effect from 1 October 2012 Mr Alex Easton replaced Mr Stephen Moutray
 3 With effect from 23 April 2012 Mr John Dallat replaced Mr Joe Byrne
 4 With effect from 6 June 2011 Mr Stewart Dickson replaced Mr Trevor Lunn
 5 With effect from 23 April 2012 Mr Ross Hussey replaced Mr Roy Beggs
 6 With effect from 10 September 2012 Mr Declan McAleer was appointed as a Member
 7 With effect from 26 September 2011 Mr Michael Copeland replaced Mr Mike Nesbitt
 8 With effect from 6 February 2012 Mr David McNarry replaced Mr Michael Copeland

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List of Abbreviations and Acronyms used in this Report

CBI NI	Confederation of British Industry
CCNI	Consumer Council for Northern Ireland
DRD	Department for Regional Development
FSB	Federation of Small Businesses
ICTUNI	Irish Congress of Trade Unions Northern Ireland Committee
NIAUR	Northern Ireland Authority for Utility Regulation
NICVA	Northern Ireland Council for Voluntary Action
NIW	Northern Ireland Water
PfG	Programme for Government

Executive Summary

1. The Committee for Regional Development (the Committee/CRD) received the Water and Sewerage Services (Amendment) Bill into the Committee Stage on 27th November 2012.
2. Sign posts were placed in the Belfast Telegraph, the Irish News and the Newsletter inviting written submissions. In addition, the Committee invited the following organisations to provide written evidence:
 - The Confederation of British Industry (CBI NI);
 - The Consumer Council for Northern Ireland (CCNI);
 - The Department for Regional Development (DRD);
 - The Federation of Small Businesses (FSB)
 - The Irish Congress of Trade Unions Northern Ireland Committee (ICTUNI);
 - The Northern Ireland Authority for Utility Regulation (NIAUR)
 - The Northern Ireland Council for Voluntary Action (NICVA); and
 - Northern Ireland Water (NIW)
3. Oral evidence sessions were held from 9 January 2013 until 23 January 2013 from all of the above except NICVA and FSB who respectfully declined the Committee invitations.
4. Members were content with the clauses contained within the Bill and with the policy direction which put into place the Programme for Government PfG Priority Two commitment of no additional water charges for households during the PfG period, 2011 – 2015. The Bill extends the initial period until 31 March 2016.
5. Whilst witnesses did support this policy commitment, there was universal concern with regards to the current governance structures within NIW, in that they were overly bureaucratic and restrictive. Witness believed that the current model impeded strategic planning and that the absence of end year flexibility constrained meaningful infrastructural investment.
6. Members and witnesses are aware that the Executive is currently considering an Options Paper around governance within NIW and all were keen to become involved in a wider debate on the matter as soon as was possible.
7. The relevant extracts from the Minutes of Proceedings are included at Appendix 1. Minutes of the evidence sessions are included at Appendix 2. The Committee would wish to thank all those who provided both written and oral evidence.

Recommendations

8. The Committee would respectively make the following recommendations:
9. **The Committee would recommend that the Minister, in conjunction with his Executive colleagues, should urgently enter into negotiations with Treasury to seek an appropriate designation for NIW which will remove the negative aspects of the current structure whilst retaining a high level of accountability to the Department and the Northern Ireland Assembly.**
10. **The Committee, again mindful that the Executive are considering the Options Paper, would recommend that the debate and consultation on the future structure of NIW is commenced as earlier in the process as is possible to allow for informed decisions to be made and for the development and scrutiny of appropriate Executive and departmental policies.**

Introduction

11. The Water and Sewerage Services (Amendment) Bill was introduced in the Northern Ireland Assembly on 19th November 2012 and was referred to the Committee for Regional Development for consideration in accordance with Standing Order 33 (1) on completion of the Second Stage of the Bill on 27th November 2012.
12. The Bill contains two clauses. The policy thrust of the Bill is to ensure that the Department continues to make subsidy payments to Northern Ireland Water (NIW) in lieu of household water charges until 2016. This is in line with the Programme for Government Priority Two commitment.
13. Under Article 213(3) of the Water and Sewerage Services (Northern Ireland) Order 2006 (the Order), the Department must make grants to the undertaker equal to the amount of discounts provided to consumers in the “initial period”.
14. Clause 1 seeks to amend Article 213(4) of the 2006 Order to extend the “initial period” to nine years from the coming into force of the 2006 Order. This will continue to allow the Department to make subsidy payments to NIW until 31st March 2016.
15. With regards to Clause 2 of the Bill, Article 220 of the 2006 Order allows an undertaker, currently NIW, to carry out works to lay certain pipes on land. However, paragraph (1) of that Article requires NIW to give reasonable notice to owners and occupiers of that land that NIW proposes to exercise that power.
16. This clause proposes to amend Schedule 11 to the Land Registration Act (Northern Ireland) 1970 so that , where an undertaker has given reasonable notice that it proposes to exercise powers under paragraph (1) of Article 220, that notice must be registered as a statutory charge in the Statutory Charges Register. This amendment will make this information publicly available, particularly in order to assist prospective purchasers.
17. During the period covered by this report, the Committee considered the Bill and related issues at 3 meetings. The relevant extracts from the Minutes of Proceedings are included at Appendix 1.
18. The Committee had before it the Water and Sewerage Services (Amendment) Bill (NIA 16/11-15) and the Explanatory and Financial Memorandum that accompanied the Bill.
19. In addition to publishing a media sign posting notice in the Belfast Telegraph, Irish News and Newsletter seeking written evidence on the Bill, the Committee targeted key stakeholders inviting their views. Stakeholders were asked to structure written submissions to address the specific clauses of the Bill. In response to its call for evidence, the Committee received 4 written submissions and 6 of the stakeholders provided oral evidence on the policy area covered in the Bill. Copies of the written submissions are included at Appendix 3.
20. The Committee carried out formal clause by clause scrutiny of the Bill on 23rd January 2013.
21. At its meeting on 23rd January 2013 the Committee agreed its report on the Bill and ordered that it should be printed.

Consideration of the Bill

22. In response to its call for evidence, the Committee received four written submissions and took oral evidence from six organisations. The written and oral evidence, whilst content with the policy direction of the Bill, raised two issues in respect of the current governance model within NIW and the commencement of appropriate and meaningful consultation and debate with key stakeholders. The Committee explored these with the Department both in writing and in oral evidence sessions.

Governance

23. NIW was established as a Government Owned Company (GoCo) in 2006. It is a statutory trading body owned by central government but operating under company legislation, with substantial independence from government. However, following the Executive decision to defer the introduction of direct domestic water charges, it was designated as a Non Departmental Public Body (NDPB) for public expenditure purposes in March 2009.
24. This designation requires NIW to manage their regulatory funding requirements within public expenditure funding constraints. It was accepted by all those providing evidence to the Committee that this was not the best governance model; indeed, the Utility Regulator has described it as “sub-optimal” in the Price Control 13 draft determination. Others suggested that it was bureaucratic, did not encourage or allow for long term strategic planning and investment and removed the incentives to deliver greater efficiencies as were evident in other similar utility providers in the remainder of the United Kingdom.
25. The Committee has previously expressed concerns about the governance structure in NIW. It is aware that the Minister has submitted an Options Paper on this matter to the Executive for their consideration. The Committee has previously written to the Minister asking for sight of this and are encouraged that the Minister has indicated that this will be forthcoming at the earliest convenience.
26. **However, the Committee would recommend that the Minister, in conjunction with his Executive colleagues, should urgently enter into negotiations with Treasury to seek an appropriate designation for NIW which will remove the negative aspects of the current structure whilst retaining a high level of accountability to the Department and the Northern Ireland Assembly.**

Consultation

27. Whilst the Bill very clearly honours the commitment within PfG of no additional domestic charges in this parliamentary mandate, it extends this commitment into the next mandate. From a strategic, regulatory and operational perspective this has raised a number of concerns among organisations providing evidence to the Committee.
28. Among other responsibilities, the Utility Regulator sets the levels of expenditure for NIW through their Price control mechanism, the current determination having been published in December 2014. This determination, PC13, will run for the period 2013 – 2015 and is based very much on the PfG commitment that the Bill now puts in place. The next determination will run from 2015 – 2021 and will include one year of direct subsidy but, potentially, the remaining period could be one where direct additional domestic charges are applied. One Member did express concern that the Bill would extend into a new mandate which is beyond the current PfG commitment.

29. Lowering the level of direct subsidy to NIW below 50% would allow for a reclassification away from that of a NDPB and would allow it, for example, to access low cost investment from banks. This will have a direct impact on the level of investment and incentivisation available to NIW but will make planning for regulation extremely difficult.
30. NIW have also indicated that, if there was a change to the current Executive policy away from no additional domestic charges, they would require approximately eighteen months restructuring to a position where they could effectively and efficiently commence hard-charging.
31. **The Committee, again mindful that the Executive are considering the Options Paper, would recommend that the debate and consultation on the future structure of NIW is commenced as earlier in the process as is possible to allow for informed decisions to be made and for the development and scrutiny of appropriate Executive and departmental policies.**

Clause by Clause Scrutiny of the Bill

Clause 1 – Grants to water and sewerage undertakers: further extension of initial period

32. Agreed: the Committee is content with clause 1 as drafted

Clause 2 – Statutory Charges

33. Agreed: the Committee is content with clause 2 as drafted

Long Title

34. Agreed: the Committee is content with Long Title as drafted



Northern Ireland
Assembly

Appendix 1

Minutes of Proceedings

Wednesday 28 November 2012

The Senate Chamber

Present: Mr Séan Lynch MLA (Deputy Chairperson)
Mr John Dallat MLA
Mr Stewart Dickson MLA
Mr Alex Easton MLA
Mr Ross Hussey MLA
Mr Declan McAleer MLA
Mr Ian McCrea MLA
Mr David McNarry MLA
Mr Cathal Ó hOisín MLA

In attendance: Mr Paul Carlisle (Clerk to the Committee)
Mr Nathan McVeigh (Assistant Assembly Clerk)
Ms Tara McKee (Clerical Supervisor)
Ms Alison Ferguson (Clerical Officer)

Apologies: Mr Jimmy Spratt MLA (Chairperson)
Mrs Dolores Kelly MLA

10.24am The meeting commenced in open session

10. Any Other Business

The Clerk informed Members that the Water and Sewerage Services (Amendment) Bill is now in Committee stage.

Agreed: That the Committee conduct a shorter consultation period of 4 weeks and consult with the same stakeholders as the previous Water Bill

[EXTRACT]

Wednesday 5 December 2012

Room 21

Present: Mr Seán Lynch MLA (Deputy Chairperson)
Mr Stewart Dickson MLA
Mr Alex Easton MLA
Mrs Dolores Kelly MLA
Mr Declan McAleer MLA
Mr Ian McCrea MLA
Mr David McNarry MLA

In attendance: Mr Paul Carlisle (Clerk to the Committee)
Mr Nathan McVeigh (Assistant Assembly Clerk)
Ms Tara McKee (Clerical Supervisor)
Ms Alison Ferguson (Clerical Officer)

Apologies: Mr Jimmy Spratt MLA (Chairperson)
Mr John Dallat MLA
Mr Ross Hussey MLA
Mr Cathal Ó hOisín MLA

10.36am The meeting commenced in closed session

5. Water & Sewerage Services Amendment Bill

The Committee received a briefing and advice from the Bill Clerk Roisin Kelly.

10.39am Mr McNarry joined the meeting

10.44am The meeting commenced in open session

12.15pm The meeting was adjourned

[EXTRACT]

Wednesday 9 January 2013

Senate Chamber

Present: Mr Jimmy Spratt MLA (Chairperson)
Mr Seán Lynch MLA (Deputy Chairperson)
Mr John Dallat MLA
Mr Stewart Dickson MLA
Mr Alex Easton MLA
Ms Dolores Kelly MLA
Mr Declan McAleer MLA
Mr David McNarry MLA
Mr Ian McCrea MLA

In attendance: Mr Paul Carlisle (Clerk to the Committee)
Mr Nathan McVeigh (Assistant Assembly Clerk)
Ms Tara McKee (Clerical Supervisor)
Ms Alison Ferguson (Clerical Officer)
Mr Brian Mahon (Bursary Student)

Apologies: Mr Ross Hussey MLA
Mr Cathal Ó hOisín MLA

10.32am The meeting commenced in public session

5. Northern Ireland Committee of the Irish Congress of Trade Unions Briefing: Water Bill

10.45am The following representatives joined the meeting:

John Corey – Chairperson Coalition against Water Charges
Ryan McKinney – NIPSA Assistant Secretary
Manus Maguire – Community Representative

The representatives presented to the Committee in respect of the above. Following the presentation, Members put questions.

11.02am Mr McAleer left the meeting

11.05am Mr Dickson left the meeting

11.09am Mr Easton joined the meeting

11.16am The representatives left the meeting

6. Northern Ireland Water Briefing: Water Bill

11.17am The following representatives joined the meeting:

Trevor Haslett – Chief Executive
Michael Mulholland

The representatives presented to the Committee in respect of the above. Following the presentation, Members put questions.

11.17am Mr McAleer rejoined the meeting

11.39am Mr Dickson rejoined the meeting

11.40am Mr Spratt left the Chair and was replaced by Mr Séan Lynch

11.40am Mr Spratt left the meeting

11.40am Mr Dallat left the meeting

11.47am Mr Spratt rejoined the meeting

11.47am The Officials left the meeting

2.41pm The meeting was adjourned

[EXTRACT]

Wednesday 16 January 2013

Senate Chamber

Present: Mr Jimmy Spratt MLA (Chairperson)
Mr Seán Lynch MLA (Deputy Chairperson)
Mr John Dallat MLA
Mr Stewart Dickson MLA
Mr Ross Hussey MLA
Mr Declan McAleer MLA
Mr David McNarry MLA
Mr Ian McCrea MLA
Mr Cathal Ó hOisín MLA

In attendance: Mr Paul Carlisle (Clerk to the Committee)
Mr Nathan McVeigh (Assistant Assembly Clerk)
Ms Tara McKee (Clerical Supervisor)
Ms Alison Ferguson (Clerical Officer)
Mr Brian Mahon (Bursary Student)

Apologies: Mr Alex Easton MLA
Mrs Dolores Kelly MLA

10.32am The meeting commenced in public session

5. **Utility Regulator Briefing: Water Bill**

10.48am The following representatives joined the meeting:

Jo Aston, Director

Shane Lynch, Chief Executive

The representatives presented to the Committee in respect of the above. Following the presentation, Members put questions.

11.14am Mr Lynch left the meeting
11.17am Mr Lynch rejoined the meeting
11.20am Mr McNarry left the meeting
11.21am Mr McNarry rejoined the meeting
11.22am Mr McAleer left the meeting
11.51am Mr McAleer rejoined the meeting
11.23am The representatives left the meeting

6. **Consumer Council Briefing: Water Bill**

11.24am The following representatives joined the meeting:

Aodhan O'Donnell, Director of Policy

Kathy Graham, Head of Water

The representatives presented to the Committee in respect of the above. Following the presentation, Members put questions.

2.21pm The meeting was adjourned

[EXTRACT]

Wednesday 23 January 2013

Room 29

Present: Mr Jimmy Spratt MLA (Chairperson)
Mr Seán Lynch MLA (Deputy Chairperson)
Mr John Dallat MLA
Mr Stewart Dickson MLA
Mr Alex Easton MLA
Mrs Dolores Kelly MLA
Mr Declan McAleer MLA
Mr David McNarry MLA
Mr Ian McCrea MLA
Mr Cathal Ó hOisín MLA

In attendance: Mr Paul Carlisle (Clerk to the Committee)
Mr Nathan McVeigh (Assistant Assembly Clerk)
Ms Tara McKee (Clerical Supervisor)
Ms Alison Ferguson (Clerical Officer)

Apologies: Mr Ross Hussey MLA

10.32am The meeting commenced in public session

5. **Confederation of Business Industry Briefing: Water Bill**

10.48am The following representatives joined the meeting:

Nigel Smyth, Director

David Fry, Senior Policy Advisor

The representatives presented to the Committee in respect of the above. Following the presentation, Members put questions.

10.54am Mr McNarry joined the meeting

11.05am The representatives left the meeting

The Chairperson received news about a fatality at a Northern Ireland Water treatment facility and the Committee expressed its sympathy to the individuals family and to NIW on their loss.

6. **DRD Briefing: Water Bill**

11.06am The following representatives joined the meeting:

John Mills, Director of Water Policy Division

Stephen Rusk, Water Policy Division

The representatives presented to the Committee in respect of the above. Following the presentation, Members put questions.

11.20am Mr McCrea joined the meeting

11.20am The representatives left the meeting

7. **Water and Sewerage Services (Amendment) Bill: Clause by Clause**

Agreed: That the Committee is content with clause 1 put and agreed to.

Agreed: That the Committee is content with clause 2 put and agreed to.

Agreed: That the Committee is content with clause 3 put and agreed to.

11.30am The Committee went into closed session to discuss a draft version of the Bill report.

8. Water and Sewerage Services (Amendment) Bill: Draft Report

11.30am Mr Lynch left the meeting

11.51am The meeting recommenced in open session

Agreed: That Members are content with the section entitled "Powers and Membership".

Agreed: That Members are content with paragraphs 1-11 inclusive.

Agreed: That Members are content with paragraph 12 as amended.

Agreed: That Members are content with paragraphs 13-27 inclusive.

Agreed: That Members are content with paragraph 28 as amended.

Agreed: That Members are content with paragraphs 29-31 inclusive.

Agreed: That Members are content with the section entitled "Clause by clause".

11.54am The Committee suspended.

1.30pm The meeting recommenced in public session with the following members present:

Mr Jimmy Spratt MLA (Chairperson)

Mr Seán Lynch MLA (Deputy Chairperson)

Mr John Dallat MLA

Mr David McNarry MLA

Mr Cathal Ó hOisín MLA

3.20pm The meeting was adjourned

[EXTRACT]



Northern Ireland
Assembly

Appendix 2

Minutes of Evidence

21 November 2012

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 *Development*

1. **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.
2. **Mr John Mills (Department for Regional Development):** Stephen is going to lead off.
3. **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.
4. 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.
5. 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.
6. 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.
7. That is an overview of the content of the Bill. We are happy to take any questions you may have.
8. **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?
9. **Mr Rusk:** Yes.

10. **The Deputy Chairperson:** What consideration has the Department given to the imposition of water charges beyond that?
11. **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.
12. **The Deputy Chairperson:** Can the Department provide the Committee with a timeline for introducing the Bill?
13. **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.
14. **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 —
15. **The Deputy Chairperson:** David, with respect, PC13 is coming up later in the Committee.
16. **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?
17. **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.
18. **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.
19. 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.
20. **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.
21. 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.
22. **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.
23. Just finally, on the same line, have you arrived at any estimated domestic users' contributions for 2013-16?
24. **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 —
25. **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?
26. **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.
27. **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.
28. **Mr Mills:** The Executive's position is that there will be no new charges in this Budget period, so I think —
29. **Mr McNarry:** That is on the subsidy.
30. **Mr Mills:** I think that the Executive are not going to suddenly ramp up rates.
31. **Mr McNarry:** You are usually very frank, and that is just what I wanted to hear from you. Thank you very much for that.
32. **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.
33. 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.
34. **The Deputy Chairperson:** Some of that is outside the scope of this meeting.
35. **Mrs D Kelly:** All right. Perhaps we could get an answer at a later stage.
36. **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.
37. 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.
38. **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?

39. **The Deputy Chairperson:** John, again, some of that is outside the scope of the Bill.
40. **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.
41. 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.
42. 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.
43. **The Deputy Chairperson:** OK. Stewart, will you keep within the scope of the Bill?
44. **Mr Dickson:** I certainly will, Chair.
45. 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?
46. **Mr Mills:** The Bill implements the Executive's agreed policy position on no charging during —
47. **Mr Dickson:** I notice it is not telling us what will happen after that period.
48. **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.
49. **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?
50. **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.
51. **Mr Dickson:** Is that not very short-sighted?
52. **Mr Mills:** Is the Bill short-sighted? No, because it is not trying to address the issue you mention.
53. **Mr Dickson:** Thank you.
54. **The Deputy Chairperson:** Ok, no other members are looking in. I thank you both for the presentation.

9 January 2013

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*
 Mr Manus Maguire *Charges*
 Mr Ryan McKinney

55. **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.
56. **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.
57. 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.
58. 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.

59. 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.
60. 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.
61. 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.
62. Secondly, full transparency of all capital and revenue costs and public expenditure requirements should be explicit in any governance arrangements.
63. 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.
64. Lastly, there has to be recognition that householders in Northern Ireland are already contributing to water and sewerage costs through the regional rates system.
65. 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.
66. 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.
67. **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.
68. 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.
69. Secondly, do you believe that the charge in the regional rate is sufficient to pay for the infrastructural investment required?
70. 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?
71. **Mr Corey:** I will lead off, and my colleagues may wish to add some points.
72. 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.
73. 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.
74. 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.
75. **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.
76. **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.
77. 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.
78. **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.
79. 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.
80. **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.
81. **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?
82. **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.
83. 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.
84. **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?
85. **Mr Corey:** I am not going to comment on what may or may not have been considered to be —
86. **Mr Dallat:** You are a public person. You must know about them.
87. **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.
88. **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?
89. **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.
90. **Mr Dallat:** Finally, finally, Chairperson —
91. **The Chairperson:** You are pushing me now, John.
92. **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?
93. **Mr Corey:** He is no longer a director.
94. **Mr Dallat:** I am glad to hear that.
95. **Mr Corey:** He was a director for a period, but he is no longer a director.
96. **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?
97. **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.
98. **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.

99. **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.
100. **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?
101. **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.
102. 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.
103. **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.
104. **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.
105. 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.
106. **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.
107. **Mr Corey:** Thank you, Chairman. We wish you well, and we are glad to see you back.

9 January 2013

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 Trevor Haslett *Northern Ireland Water*
 Mr Michael Mulholland

108. **The Chairperson:** Gentlemen, you are very welcome to the Committee. We have Trevor Haslett, chief executive of Northern Ireland Water (NIW), and Michael Mulholland. Michael, remind me of your position.
109. **Mr Michael Mulholland (Northern Ireland Water):** I work in the finance and regulations section, so I do things like tariffs and revenue.
110. **The Chairperson:** OK. This is a very important subject for everybody at the minute. I welcome both of you to the Committee. I know that you are not making a presentation on the Bill. The Bill is Executive policy and allows for the payment of water charges from the Northern Ireland block grant.
111. Trevor, if you make a short opening statement and then leave yourself open for members' questions, that might be the best course.
112. **Mr Trevor Haslett (Northern Ireland Water):** Chairman and Committee members, thanks for inviting us along. The importance of the Bill to Northern Ireland Water obviously centres on the subsidy and the period of time over which the Bill operates.
113. When I last spoke to the Committee, on 21 November, I know that Department for Regional Development (DRD) officials were in just before us speaking about the order. We commented to DRD that we were content with its proposed amendments. The Land Registry issue — having to ensure that we have records of our pipes and their location — is a good step forward. I know that the Committee recently looked at the issue of unadopted streets. By and large, Northern Ireland Water is content with the amendments. We are here really because of the importance of the order to Northern Ireland Water and to answer any questions the Committee may have.
114. **The Chairperson:** OK, Trevor. Thanks for that. You say that you are content with the vast majority of the Bill. The Bill only covers up to 2016. If the subsidy was not extended beyond that period, how much notice would Northern Ireland Water need to be fully operational?
115. **Mr Haslett:** The subsidy is a surrogate for customer charges until 2016. Going back a number of years, Water Service, as it was at that time, said that it would require around a two-year lead-in if some form of charging were introduced. At that time, we had to set up a billing section and do a lot of work that is still largely in place, but we would need, I think, 12 to 18 months' notice if there was to be a change from a subsidy to some alternative.
116. **The Chairperson:** Have you any comments on the regulator's final determination?
117. **Mr Haslett:** We received the final determination just before Christmas. We have looked at the figures and compared them with those in the draft determination. There is a marginal improvement in the figures, particularly for the opex, but there remains a significant gap to make up in the pace of efficiency that the regulator is looking for. Our board discussed that at its

- December meeting, and it is on the board agenda for January as well. There remains a significant gap between the final determination and our business case. Also, there is the secondary issue of public expenditure (PE). That was reduced before the process was actually complete, which partly compounds the issue.
118. **The Chairperson:** You may or may not have heard the trade union officials, who have just left the meeting, comment on the governance model for Northern Ireland Water. They still insist that water should not be privatised. What do you believe is the best model for Northern Ireland Water? One of the things that came out of our discussion with the trade unions is that they are certainly not opposed to the public paying for water services through the regional rate. We are aware of a figure of £169, which seems to be the ballpark figure for the rate. However, I think that it is fair to say that the trade unions were talking about a figure substantially higher than that, and they did not seem to have a problem with that model of payment. Did you have comments to make about that?
119. **Mr Haslett:** Normally, we do not get drawn into things like that.
120. **The Chairperson:** I am doing my best —
121. **Mr Haslett:** I am quite happy to offer an opinion, using various models from around the globe and one that, in fact, is not too far from us, in the Republic, which is introducing water charges. The Republic was going to introduce water charges, based on metered water, in about 2014, but it was advised that it was unlikely to get all the meters installed in time, so I think that date has been pushed back to 2017. That model is the same as the one used in Australia and parts of America. I personally favour a metered water supply because of what happened two years ago during the freeze/thaw incident when people ran water to waste. That would not happen; at least they would be accountable or would have to take the decision to pay for it if they want to run it to waste.
- There are various models that give a domestic allowance on metered water so that anybody who is socially deprived gets 200, 300 or 400 cubic metres of water a year and pays a premium only on anything above that. So, there are a number of models.
122. You asked me about 2016. If a change is brought in, it will obviously be an Executive and Assembly decision. Going back to your previous question, Northern Ireland Water would certainly need lead-in time if there were a change or a move to that. Even in the final determination, the regulator admitted that the governance model we have at the minute is suboptimal. When I was here last, I contrasted the efficiency of Northern Ireland Water with the mythical frontier company that the regulator uses, and we obviously are not as efficient. However, as a non-departmental public body (NDPB) and a public body, Northern Ireland Water is very efficient. We have proven that over price control 10 (PC10), and even over 2011-12, where we have outperformed all our targets and efficiency savings.
123. The governance model depends on what Northern Ireland Water is. If it is run as a fully fledged company, which is what it was set up as in 2007, and given the freedom and flexibilities of that company, that is a much more efficient way to run Northern Ireland Water. However, if it is run, as it is at the moment, as a bit of a hybrid between an NDPB and a government company, that is suboptimal. That even leads to different sets of accounts in annual reports, which members have probably seen, because of the different ways in which depreciation is treated.
124. **The Chairperson:** The Irish Congress of Trade Unions stated to us a short time ago that the final determination did not raise any urgent issues regarding governance arrangements in Northern Ireland Water. Do you agree with that statement?
125. **Mr Haslett:** No. I have spoken to the Utility Regulator, Shane Lynch. In the final determination, by asking

- Northern Ireland Water to deliver the efficiencies at that pace, the regulator has raised this question: is the current governance model the right way to be able to achieve that? We have had engagements with the regulator and said that Northern Ireland Water has no argument about becoming more efficient. In fact, in our price control 13 (PC13) business plan, we have baked in efficiency numbers that continue the downward trend from PC10. The issue that we have with the efficiencies is the size and pace. We intend to make efficiency savings, but there is still a gap between us and the regulator.
126. **The Chairperson:** Thanks for that, Trevor. We move to questions from members.
127. **Mr Lynch:** I have just a quick question, Trevor. Have you any comments on the regulator's final determination?
128. **Mr Haslett:** We have to reply officially by 14 February. There is still a lot of engagement to take place. I was with our deputy secretary — as he is now — yesterday to discuss two of the core items in PC13, namely the opex figures that we have been given for next year based on the financial determination and the issue of PE. We have had quite a lot of one-to-one engagement with the regulator over the past four or five months, as have Michael and his team. There is still some way to go to get agreement and close the gap on the efficiency savings. There are three bodies involved in that, including DRD.
129. **Mr Dallat:** I want to pay tribute to your men on the ground. The people who drive the white vans, attend to the crises and all that stuff are excellent. The public at large very much appreciate what they do.
130. Given the limited extent of the Bill, are you satisfied that you have sufficient finance to avoid infraction under European legislation in the foreseeable future? Can you give an assurance to people like me, whose constituencies form a very large part of the coastal area, where tourism is critical and blue flags are essential, that you will protect our blue-flag beaches? Can you also give an assurance that you will be able to avoid major issues in the future, particularly in the rural areas where small sewerage works are not compliant with European regulation?
131. **Mr Haslett:** Of the 13 locations around the UK that the European Union threatened with infraction seven or eight years ago, nine were in Northern Ireland. In fact, one is in your constituency. The member will know that the north coast works — there is also the north Down works in Bangor — was commissioned and has been up and running for four or five years. We have no infraction sites at the moment, apart from a new one in Ballycastle that appeared as at risk. We have had difficulties over a number of years in acquiring a site for the works there. There is an existing works there. However, because of the transient summer tourist population, it goes above the £10,000 PE threshold and into potential infraction country. So, we are looking at Ballycastle. The European Union usually sends a notification of infraction. We have not received anything like that yet. We are working with the Northern Ireland Environment Agency and others to try to get a move on that site.
132. I will address the point about the rural works — if you want to describe them as such. To put it in context, we have about 240 large works that serve 98% of the population. We have something like 860 small works that serve only 2% of the population. Even worse probably, about 650 of those serve fewer than 50 people. Some are actually only septic tanks.
133. We commenced the rural waste water improvement programme about five years ago. Next month, we will finish our 100th small works at a cost of about £30 million. As those works are all standardised, we have saved something like 35% on capital efficiency. The guys tell me that they are building three for the cost of two. A lot of the focus has been on the 240 works that serve 98% of the population. Over the past five or six years, we have fallen back to look at

- the rural works. A large number of the rural works are performing quite well, Mr Dallat. However, we have been focusing on those that provide some cause for concern in respect of discharging into river courses.
134. **Mr Dallat:** Do you know the number of people in rural areas who still do not have a mains water supply? Is that part of your programme?
135. **Mr Haslett:** It is an issue that has come up repeatedly in the past. There is a smaller number in the rural community, and, as you know, we can only provide a service within the unit-cost yardstick. If we receive an estimate above that, we ask the applicant or applicants to make up the difference. In fact, the issue was taken to the Assembly five or six years ago to see whether funding could be made available in rural areas to make up the difference between the unit-cost yardstick and what it would cost to provide a supply. There is certainly a smaller number of those people than there was.
136. **Mrs D Kelly:** I am aware that there was a joint initiative between the Department of Agriculture and Rural Development (DARD) and DRD. Can you give us any sense of where that is at regarding the number of applications? Has the rural scheme been given the go ahead yet to address the lack of access to public water in some rural areas?
137. **Mr Haslett:** I do not actually know. It is not an issue that has come across my desk in the past two years. I know that, previously, there was a lot of talk about some customers, particularly in the Dungannon area, who were looking for a water supply. I can look into it to see where it is at, even though you can probably tell from my answer that it is not topical.
138. **Mr Mulholland:** I know that the scheme is being administered by DARD and is up and running. As I understand it, the scheme was for customers whose only option previously was the requisition of a full water mains. The scheme allowed customers to look at having borewell as a cheaper option. Some subsidy or grant would be made available for that. The scheme is being administered by DARD with some assistance from the Department. Northern Ireland Water is not involved beyond that.
139. **Mrs D Kelly:** I notice in some of the press releases that, towards the end of last year, there were some differences in interpretation of the efficiency savings targets set by the regulator and Northern Ireland Water. Has that been resolved?
140. **Mr Haslett:** It was the regulator's comparator that drew us into that. The regulator compares Northern Ireland Water to a frontier company and said that, for every £1 spent in the UK, £1.62 is spent over here. In fact, we would say that, even on the basis of our own figures at the moment, if you compare us to an average company in England, it would be more like £1.38. That has improved, and the gap between Northern Ireland Water and the frontier company has reduced from 49% to 34%. We expect that when we publish our figures at the end of this financial year that gap will have closed again. So, we are making substantial progress, but the regulator unfortunately chooses to use the top-end figures for the comparison, whereas an average would be more — [Inaudible.]
141. **Mrs D Kelly:** I put the question to the regulator as well, and he was quite robust in defence of the mechanism used. I wait with interest for your end-of-year figures. How is NIW tackling efficiency, effectiveness and the issue of leakage? Are you confident that there has been a substantial reduction in leakage over the past few years? Do you have an estimation of leakage? It is certainly an issue from a constituency perspective, particularly in the farming community, when bills are being forwarded to them for payment. They would argue that there is still substantial leakage.
142. **Mr Haslett:** Northern Ireland Water — the Water Service, as it was at that time — first established the leakage

- policy in the mid-1980s. I was part of the team that set it up. Since then, we have made significant progress on leakage. In fact, if you look at our annual accounts, you will see that we bettered the target last year of 171 megalitres per day, and the current leakage is down to 161 megalitres a day. There is a figure called an economic level of leakage that is used throughout the industry whereby there is little point in investing in proactive leakage detection beyond that figure because you would be costing yourself money against the cost of water. That figure for Northern Ireland is, at the moment, around 152 megalitres, so we are not that far away from the economic level of leakage, but there is still some way to go.
143. I would like to better those leakage figures, but, again, it is a matter of more investment in water mains. We are rehabilitating and relaying water mains at a rate of about 300 km a year, which is quite a significant investment, but there is still an area of leakage on the customer side that we have to look at. Certainly over 50% — some people would say 60% — of the leakage that we have in the system is probably from the customer side. I am not blaming customers, but the supply pipes from the adopted roads to their premises may be leaking. Supply-side leakage is a common problem in the UK industry. We can do what we can on our side and our infrastructure, but we have to look at how we can improve the service that we offer. For example, as has been raised before at Committee, there are some utility companies in the UK that offer free find, fix and repair on supply-side leakage — we are not funded for that, before you ask.
144. **Mrs D Kelly:** There is a leakage allowance. I reviewed a case recently for a constituent, and there was a certain leakage allowance in the payment of the bill. How long is it since that level of allowance and the criteria for the allowance have been reviewed?
145. **Mr Haslett:** Normally, there is a process for the leakage allowance. If it is on a metered supply, the leakage has to be proven to be on a supply to a domestic property as opposed to a water trough or something else. It is a reasonable discount, and has probably not been reviewed since 2007, when we became a company and reviewed all our policies.
146. **Mr McNarry:** I have been sitting here for an hour, and I am absolutely freezing.
147. **The Chairperson:** I have asked for the heating to be put on, David.
148. **Mr McNarry:** Have we paid the bill or are we short?
149. **The Chairperson:** I am not exactly sure. I think it probably has been paid.
150. **Mr Dallat:** As long as we do not have frozen pipes.
151. **The Chairperson:** There are no frozen pipes.
152. **Mr McNarry:** Trevor, if the Bill represents contentment with the financial management of Northern Ireland Water, what percentage increases in subsidy will be required after 2016 to take us up to 2021?
153. **Mr Haslett:** We have done some financial modelling, but, as you know, we are currently trying to agree PC13. Beyond 2015, we are looking at price control 15 (PC15) as well, which will take us from 2015 to 2020. We have only just started looking at that financial modelling, so I do not have the answer for you. Michael has been involved in a lot of the PC15 area. We are just trying to get PC13 out of the way. Do you have any comment to make, Michael?
154. **Mr Mulholland:** No. We are focusing on the next two years and what is contained in the final determination. It is too early to talk about the period beyond that. The subsidy figure, which is based on our revenue and what we charge customers, relates not only to our operating cost — it is one component of it — but to the capital element. So, it depends on the amount of capital that we spend. We are also allowed the money that we repay in interest payments on our debt, etc. A number of components are involved, so it is quite

- difficult to predict, but, as Trevor says, we will work on PC15, as it is referred to, which is a six-year price control period, commencing in 2015.
155. **Mr McNarry:** I am glad to hear that you have at least started some work on that. If I can, I will press you on when you might have some projections to take us up to 2020. The reason is to inform the Committee, obviously, but also for Committee members to be able to anticipate how they might inform their constituents. I know you are not going to be able to answer this, and probably do not want to get involved, but I will throw it at you anyway. There is a feeling that, after 2016, we are possibly talking about renewed mandates and no one wanting to go to the polls without this Bill being in the bag but that the economics of Northern Ireland, in costs and the subsidy, might take us down a different route. I am not talking about the regional rate contribution; I am talking about the subsidy. There has to be a degree of honesty with a company like yours to that particular questioning. I wonder whether you are going to present needs in terms of figures after 2016 and then leave it up to those in power who control the purse strings to say what we can do. I see shortfalls in our economy.
156. **Mr Haslett:** PC15 will be agreed and will be effective from 1 April 2015, presumably a full year ahead of the expiry of this Bill. It will be a regulated process, and we will be involved in exactly the same process as we are now with the regulator on PC13. In fact the regulator has asked us to put forward our capital works programme for PC15 in June this year, so we are already working on the capital works we will be putting in place and their cost. By the time PC15 comes around, or probably a year before it, we will have a good financial model, because that is what Michael specialises in, which will have the capital and the actual costs projected over PC15. It will be quite transparent as to what our cost base will be.
- (The Deputy Chairperson [Mr Lynch] in the Chair)*
157. **Mr McNarry:** I understand that. I see that Jimmy is away now, so I might get away with a — [Interruption.] That is no disrespect, Sean.
158. The question is basically around what your projected increases are likely to be for that period, and how they will then impact on the actual subsidy that will be required to cover those increases. That is what I am looking at. You must have an idea, just from natural accounting, of what the increases will be. It is not going to be static for the next five to 10 years.
159. **Mr Haslett:** No. Our target will, in fact, be to hold it to the rise in inflation. Michael and I were talking about this outside. As a result of the financial determination, whether or not it is agreed, this year we still have to use the figures in that determination, which means that water charges will be reduced this year. Over the past three years in PC10, we have held water charges. The water charge element has been at or below inflation, and the sewerage element has been increased slightly above inflation. However, most people, particularly those in the agricultural sector, did not have sewerage charges, and the water charges went more to them.
160. Our model — and I am not trying to evade the subject — is quite complex from the point of view that we have to predict our energy costs, rates and controllable staff costs. We will look at continuing our efficiency training over PC15. I know that there will probably be a step change, with some structural change in Northern Ireland Water to try to drive that efficiency. At the moment, I cannot give you an indication of whether that will be x% above or below the current subsidy if we were comparing it to a subsidy or a surrogate water charge.
161. **Mr McNarry:** I accept that, gentlemen. That is fine.
162. **The Deputy Chairperson:** I do not think that anybody else is looking in. Thank you both for coming in and giving your presentation today.

16 January 2013

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 Ross Hussey
 Mr Ian McCrea
 Mr David McNarry
 Mr Cathal Ó hOisín

Witnesses:

Ms Kathy Graham *Consumer Council*
 Mr Aodhan O'Donnell

163. **The Chairperson:** I welcome Aodhan O'Donnell, who is the director of policy with the Consumer Council, and Kathy Graham, who is the head of water. You have 10 minutes in which to make a presentation and then leave yourselves open for questions.
164. **Mr Aodhan O'Donnell (Consumer Council):** Thank you very much. I appreciate the Committee's invite to the Consumer Council to provide some comments on the Water and Sewerage Services (Amendment) Bill. Our comments on the Bill will be quite short. I am sure that we will not use up the allotted 10 minutes. It is set in the context of overall support and endorsement for the changes and amendments that are proposed.
165. The Bill will enable the Department for Regional Development to continue to make payments to Northern Ireland Water for the next three years up to 2016, that is, the subsidy that takes the place of any charge that will be levied on domestic customers. As we heard, that is quite welcome in the current climate. We are supportive of that move to change the legislation as it fulfils the Programme for Government commitment not to introduce additional charges over the current period.
166. Secondly, we are supportive of the amendment to the Land Registration Act because it will give consumers increased access to information. It will benefit consumers by ensuring that information is publicly available, especially if people are looking to purchase property. Having on public record the notification of where pipes and sewers are on private land would be helpful to consumers. In the broad context, we are supportive, in principle, of both of the changes being made. We want to have that recorded in responding to the Committee.
167. **The Chairperson:** OK, thank you. What concerns does the Consumer Council have about the governance of Northern Ireland Water? Is it the best and most efficient model to deliver services?
168. **Ms Kathy Graham (Consumer Council):** The Consumer Council is on record as saying that we have concerns around the current governance structure. All the stakeholders in water recognise the problems. The dual status of government-owned company and non-departmental public body no doubt levy a lot of restrictions on Northern Ireland Water. Northern Ireland Water is constantly saying that, and we have asked it to quantify that and put in financial terms how much the governance structure adds to its inefficiency.
169. The current governance structure is also difficult for consumers. It is difficult to understand and for people to get their head around. We would like to see an open debate on the governance model of Northern Ireland Water. There are many other options and models out there that could deliver benefits for consumers, but, until that happens, we need to quantify and get to the root of the problems that the current governance model causes.

170. **The Chairperson:** You say that there are many different options and models. Do you have a preferred option or model?
171. **Mr O'Donnell:** We have started some work looking at other models that have been applied to the water industry and other regulated sectors, as well as looking at the advantages and disadvantages of the current model that Northern Ireland Water operates under. That is something that we would be happy to share with the Department as our thinking develops further. That is work that we are undertaking in-house with our own teams and through policy work. I would not say that we are at the stage yet of saying which is the best model or which one we recommend, but we have a list of criteria that we see as benefiting consumers and other models that do not work for consumers. We would be happy to share that once we complete that analysis.
172. **The Chairperson:** When is that going to be completed?
173. **Mr O'Donnell:** We have undertaken some preliminary research. We will probably have something that we will be in a position to share within the next two to three months.
174. **The Chairperson:** Does the Consumer Council support subsidy or charging?
175. **Ms Graham:** We provided a submission during the consultation for the Programme for Government. Given the economic climate, we support the Executive's commitment in the Programme for Government to continue with the subsidy. The key part of the debate for us is the fact that, regardless of whether it is subsidy or direct charging, consumers are paying, whether through a direct bill or as a taxpayer. What is most important is that the amount that consumers are contributing is the right amount, regardless of the method by which that income revenue is generated from Northern Ireland Water.
176. **The Chairperson:** Is it the right amount at the minute?
177. **Ms Graham:** The regulator has demonstrated that there are inefficiencies in Northern Ireland Water. Northern Ireland Water openly admits to that. It knows that it can do better. It knows that it will do better, but it is about how long it will take for it to become more efficient and operate at the level we need it to. Within the regulator's final determination, there is a notional domestic water bill for around £400. It is important to consider that that does not take account of how much additional billing would cost the domestic consumer. So, that would be another charge on top of that £400.
178. **The Chairperson:** At the minute, domestic charges are about £169 and business charges are, in many cases, pretty high. Smaller businesses have reasonably high charges for sewerage services, etc. Do you think that it is fair at the moment from a consumer point of view?
179. **Ms Graham:** From a consumer point of view, I suppose we need to look at the additional subsidy that is going into Northern Ireland Water and whether that is being diverted from other public services. On the business side, many, many business customers out there do not actually realise the allowances they could get on their bill. So, many business customers are paying more than they need to or should be. We in the Consumer Council try to work with businesses. We produce quite a lot of information for businesses to try to inform them and make sure that they are applying for and getting their domestic allowance. If they have not been doing that, we can work with them and help them to claim it back so that they will get some money retrospectively. We have embarked on a campaign with businesses and the agricultural sector looking at trying to drive down metered water bills through water efficiency. Even if businesses are being charged on their net annual valuation, by saving water, they can save energy. We are very mindful of the economic climate in which we are all operating. We are trying

- to help businesses reduce those core costs.
180. **Mr Lynch:** Thank you for the presentation. Does the governance provide value for money?
181. **Ms Graham:** The fact is that we all recognise that Northern Ireland Water is inefficient and has some way to go. The regulator has told you today about the 38% efficiency gap. I do not think that that is a good deal for consumers at this time. I do not think it is value for money for consumers, taxpayers or businesses.
182. **Mr O'Donnell:** I think that we have recognised the difficulties that the current model provides. We have heard about the year-end flexibility around capital projects and the impact that has on the planning and prioritisation of work. That is not withstanding that the efficiencies have narrowed over the past number of years, but they still exist. Whatever figure you look at, or if you compare what Northern Ireland Water put forward with what the Utility Regulator put forward, you will see that there is still an efficiency gap between it and comparable companies elsewhere. That still needs to be driven out, despite the progress that has been made.
183. **The Chairperson:** Can you clarify that? You made a statement, which I am sure Northern Ireland Water very much disagree with. You said that “we all” agree that Northern Ireland Water is inefficient. That is a pretty strong and dire statement. I would suggest that that is not entirely what the situation actually is. Northern Ireland Water has become a lot more efficient over the past number of years. I think it is wrong for the Consumer Council to make a bland statement, which could be picked up on, that “we all” agree. I certainly do not agree with you that Northern Ireland Water is totally inefficient.
184. **Ms Graham:** I am sorry, Chair. I will clarify that. I do not think that it is totally inefficient. What I said was not to minimise or be detrimental to Northern Ireland Water or the progress it has made, but we do work very closely with Northern Ireland Water. In those dealings and workings, there is recognition that there is more to do. It has its business improvement plans in place, it knows where it wants to go and how it wants to get there, but it is about the journey — how long will it take and the exact details of how it will get there? From my personal working with the company and the conversations that we have had, I can say that it knows that it has additional work to do.
185. **The Chairperson:** Has that something to do with the governance of Northern Ireland Water, which we have already hit on, or has it to do with the model?
186. **Ms Graham:** Quite a few factors contribute. Some of it has to do with governance and some of it has to do with the model, and Northern Ireland Water continues to work through legacy issues. It suffered from years of underinvestment, but a lot of money has been invested in Northern Ireland Water in recent years, so that is helping it to become better.
187. Aodhan spoke about the governance. The governance and the model prevents Northern Ireland Water from being able to smooth its capital spend. The fact is that it has to spend its capital within one year. We have to take into account the current economic climate, and we have all seen the impact that the recession has had on local construction companies. This is a really favourable time to be going out there and negotiating contracts with the construction industry. Several years ago, that might not have been the case, plus there may not have been the capacity in the construction industry to be able to deliver on a lot of large-scale capital projects. In the current climate, those negotiations could be taking place except that Northern Ireland Water has that real restriction, which means that it cannot go and chase after those.
188. **The Chairperson:** The Deputy Chair and I have had discussions about end-of-year spend and not being able to carry money over, etc, etc. If additional money becomes available through monitoring

rounds or whatever, you need to have shovel-ready schemes up and running. With regard to the pipe infrastructure, I think that you would accept and agree that Northern Ireland Water has made major moves forward to replace and renew many of our main waterlines. All of that is helpful to the construction industry and everything else at this minute in time. I think that all of us on the Committee would encourage those sorts of contracts to go ahead, as the Executive have been doing and, in fact, as the Department has clearly demonstrated with the amount of money that it has poured in over the past number of years for capital investment for infrastructure in Northern Ireland Water. I suppose that we are not too far away from what you said earlier.

189. **Mr Ó hOisín:** Continuing on from your point where you questioned whether the governance or the model was the question and issue, I think that the word “suboptimality” was used earlier, which is, perhaps, another word for inefficiency. However, I am not sure to what degree that is dependent on the comparative qualitative assessment that is done within the benchmarking, which, on the face of it, looks as if it is comparing apples with oranges to a certain extent in terms of real companies and addressing that as a notional company. What is the margin of error within that, and are we not on a level playing field from the start? Is it down to the comparison when we are looking at the degrees of suboptimality or, indeed, inefficiency, as you said earlier?
190. **Ms Graham:** I thought that Jo’s point in the earlier presentation was very interesting. She said that the Utility Regulator’s analysis shows 38%, and when Northern Ireland Water applied those same principles, it was 34%. I think that that shows that everybody is reading off the same page, or that there is certainly a lot of common ground there. That is a very good question. Are the right things being compared? The Consumer Council has asked the question as well, because Northern

Ireland Water came out with the figure of £1.16 — that press statement was the first time we saw that figure. We have been given some high-level information in and around that, and we have asked to meet Northern Ireland Water to discuss that in more detail so that we get a better understanding of that figure.

191. **Mr O’Donnell:** The whole area of efficiency becomes more important because the previous assessment had a gap closer to almost 50%. I think that it was around the 49% mark, and that has dropped or narrowed to around 38%, based on the Utility Regulator’s analysis. When a company chases after efficiencies, are those first 10% of efficiencies the ones that are easy to reach? How do you maintain that progress when further efficiencies are harder to find? That stresses the importance of having an accurate and agreed assessment of what the efficiency figure is. If, over the next five or 10 years, as you go down that line of seeking further efficiencies, they will be harder to find, so the right measurement needs to be in place first.
192. **Ms Graham:** It is also important to note that while these inefficiencies are being driven out of the business, Northern Ireland Water’s performance and what it delivers to consumers is improving. So, it is a double-edged sword. Its score on the operational performance assessment is getting much better. While it is delivering more value for money, it is delivering better services for consumers.
193. **Mr Ó hOisín:** Although it is evident that performance improvement is present, that, for the most part, may be on infrastructural or operational matters. The other aspect of it is less quantifiable, and that is where the major discussion has to take place.
194. **Mr Dickson:** I will get back to the core issue. We are here to discuss the Water and Sewerage Services (Amendment) Bill, the main effect of which is to extend non-direct charging for domestic consumers to the end of 2016. Has the Bill, therefore, not failed in that it

- does not at least challenge, or ask or require, that we should have a debate around what happens post-2016? I can understand what you as a consumer organisation are saying in respect of the benefit to consumers in that they are not paying, but, in reality, they are paying. Therefore, because they are paying, there is no transparency about what they are paying. Consumers cannot see the amount of money that they are paying, and, surely, no matter what your view may be on whether you “charge” or “do not charge”, the reality is that the people on whose behalf your organisation advocates need transparency and a clear understanding of what it is that they are actually paying for.
195. **Mr O’Donnell:** Yes, the Bill extends the period for which the subsidy is provided, and that time should be taken as the opportunity to have that debate. We will welcome that opportunity to contribute to that and to be involved. It is required that that time be provided for. The stakeholders whom we mentioned who form part of the stakeholder group — the regulator, Northern Ireland Water, the Consumer Council and other quality inspectorates — will make a contribution to that debate as well. It needs to be led and started, and, as you said, time is of the essence with something such as this.
196. **Mr Dallat:** I think it was Cathal who reminded me that we are here to discuss the Water and Sewerage Services (Amendment) Bill, which provides for the money that Northern Ireland Water does not collect from the public. There is an acknowledgement that Northern Ireland Water has improved in many respects. When the Public Accounts Committee investigated it, one of the major criticisms was its inefficiencies in how it bills people. I am sure that the Consumer Council is well aware that those inefficiencies are still there, and I have examples of people who are now in their 80s and, for the first time, are getting bills for a water trough that was installed maybe 30 years ago.
197. **The Chairperson:** John, I have to remind you that we are here to discuss the Bill, not issues around billing.
198. **Mr Dallat:** Well —
199. **The Chairperson:** We are going off the Bill.
200. **Mr Dallat:** I was coming back to the Bill.
201. **The Chairperson:** Maybe we could get back there quickly. I will decide in a minute.
202. **Mr Dallat:** The thing was about the billing aspect. Are you convinced that Northern Ireland Water has put its house in order in respect of the data available and that the data going out to customers are correct, true and accurate?
203. **Ms Graham:** There have been a number of billing issues. In our response to price control 10 (PC10), which was before price control (PC13), we sought assurance for grade A data by the end of that three-year price control period. We are still not there. We still do not have the assurance that it is grade A data. What we are assured of is that Northern Ireland Water is working hard to try to get that level, but there is recognition that billing errors still happen.
204. We are also working with Northern Ireland Water on a billing project, looking at the format of its bills. One objective of that is, we hope, to produce new and improved bills that will be easier for business customers to understand. If those customers have a greater understanding of their bill when it arrives, that should empower them, because it will provide them with the information to pick up any errors or mistakes, and they can then contact the company immediately. I recognise that, first and foremost, the company should make sure that mistakes do not happen. I think that Northern Ireland Water is working to try to bottom out its data quality issues.
205. **Mr Dallat:** Chairman, I apologise for going off the track, but I think that the answer —

206. **The Chairperson:** I think that we are well off the track.
207. **Mr Dallat:** — Kathy gave us was a valuable contribution to —
208. **The Chairperson:** I do have to say, John, that we are still well off the track. You took Kathy down that path, and I did not interrupt her, but —
209. **Mr Dallat:** She gave me a very good answer.
210. **The Chairperson:** We will move to David McNarry.
211. **Mr McNarry:** Here goes. We are gathering a collection of expert opinions that seems to be saying that we are paying more for water than necessary due to inefficiencies here and now. The Bill in itself is not doing anything to challenge that. On the one hand, the experts have said what I just quoted them as saying, and on the other hand, you say in your submissions that you support the legislation. I find myself at odds with how experts can then conclude from their evidence — not just yours — that they can support the Bill.
212. As a consumer, I am angry to hear the expert opinion. I am angry to hear that, right now, I should not be paying as much I am for water. I heard you saying that you are doing some work, and hopefully that might be done in time for the Committee to include. What price do you think domestic users should be paying for water now? What level of subsidy do you think there should be right now?
213. **Ms Graham:** That is not a piece of analysis that we have done. I suppose —
214. **Mr McNarry:** With all due respect, you cannot really say that there are inefficiencies and that we are paying too much for water and then not be able to back that up by telling me by how much. I would like to know how much I am being done out of here.
215. **Ms Graham:** OK. In the past, especially when we were preparing for and expecting consumers to receive a water bill, we looked at average water bills in England and Wales. That is how we did our analysis. We looked at the gap between what a consumer was billed by an English or Welsh water company and what a consumer in Northern Ireland paid. That is where we would have seen the unfairness and how people were paying too much.
216. The way in which we get to the right amount that a consumer should be paying is through the Utility Regulator's price control.
217. **Mr McNarry:** I am sorry; I did not pick you up there.
218. **Ms Graham:** It is through the Utility Regulator's price control, which is known as PC13. The final determination has been done and we are waiting for Northern Ireland Water's response about whether it can deliver that.
219. The price control for 2013 is for only two years. All the stakeholders have begun to work on and prepare for price control 15 (PC15), which will be a six-year price control. Part of that will look at and deliver part of the Department's long-term water strategy, which is a 24-year strategy.
220. I hope that, within the strategy and our work on PC15, we will get to the root of the issue of how much water consumers in Northern Ireland should pay.
221. **Mr McNarry:** Do you understand the impatience of the consumer and the disadvantage that elected representatives have in explaining to them, much as we like to be able to explain to them how things happen, when we hear quite clearly that people should not be paying today what they are paying for water? We are not hearing what they should be paying. Is there any way, do you think, that your organisation could present that information to the public to say that, instead of paying £169, which was the figure quoted by the Chairperson, consumers should be paying a lower amount? Then, the consumers and the elected representatives could see the challenge. At the moment, there is no challenge to

- drive that price down, but we are being told consistently that it is too much.
222. **Ms Graham:** The Utility Regulator's figure in the final determination would be a notional bill of in and around £400. It is saying that the efficiency gap is 38%, so the bill is 38% too much. I cannot do mental arithmetic, but I suppose that that is how we need to look at it.
223. **Mr McNarry:** So, you are depending on the Utility Regulator. You have no ideas of your own. You do not want to throw out a figure. You are just saying that it is up to the Utility Regulator and that is good enough for us. Really, you are bankrupt. You do not have any ideas. You are not representing the consumer.
224. **Ms Graham:** We do represent the consumer. For PC15, we are taking a significant lead on part of the consumer engagement piece. We will talk to a representative sample of domestic and business consumers to make sure that their needs and priorities are addressed in PC15.
225. Something has perhaps been missing from Northern Ireland Water's business plan. We did a huge piece of consumer research for PC10 to inform the business plan. There were no tangible links, so consumers told us that out-of-sewer flooding was really important, but we could not see how that married across to what Northern Ireland Water was telling us it was going to deliver.
226. We have that commitment for PC15 that what consumers tell us will be linked to the business plan in a tangible way. Not only that, but whenever we —
227. **Mr McNarry:** I do not want to go on about it, but could you make a call, as the champion of the consumers, as a result of the conversation that you are going to have with them? Will you say to them that you think they should be paying x amount? Could you champion that? Could you make that call for the consumers? Somebody needs to do it. We are hearing that they are paying too much. How much should it be?
228. **Ms Graham:** We can certainly include that in the research. We did an element of that for our PC10 research, so it is possible to do that. We are at the early planning stage now, so we can certainly get that in.
229. **The Chairperson:** Thank you very much, both of you, for your presentation. I am sure that we will talk about this in future.

16 January 2013

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 Ross Hussey
 Mr Declan McAleer
 Mr Ian McCrea
 Mr David McNarry
 Mr Cathal Ó hOisín

Witnesses:

Ms Jo Aston	<i>Northern Ireland</i>
Mr Shane Lynch	<i>Authority for Utility Regulation</i>

230. **The Chairperson:** Jo Aston and Shane Lynch, you are both very welcome. You are no strangers to the Committee; you know the form. You have 10 minutes in which to make a presentation and, then, leave yourself open to questions.
231. **Mr Shane Lynch (Northern Ireland Authority for Utility Regulation):** Good morning, Chairman and Committee members. I do not think that we will need 10 minutes. We wrote to the Committee Clerk on 4 January 2013. I just want to reiterate what we said in the correspondence. We support the Bill, in particular two aspects of it; first, the extension of the initial period, which allows a government subsidy to be paid in lieu of customer charges for another three years until 31 March 2016; and, secondly, the second amendment in the Bill, which requires the undertaker to register their intention to carry out certain works on private land in a statutory charges register. We fully support that measure, which will make information about Northern Ireland Water's (NIW) intention to lay a water pipe or sewer and its location more accessible and publicly available. That further improves transparency surrounding the work of the undertaking,
- and we consider that it will benefit private landowners.
232. In conclusion, we support the Bill. Jo, do you want to add anything?
233. **Ms Jo Aston (Northern Ireland Authority for Utility Regulation):** The Bill is just a next step, really. Our concern rests round the fact that the Bill extends to April 2016. We fully support that. We understand the timing with regard to elections, and so on. Our dominant concern is that we are already working into the next period with regard to our regulatory role. We are very keen to embrace more strategic and longer-term planning for the company, particularly with regard to climate change and more extreme events. You need to plan and solve those problems early. Therefore, the continuing uncertainty about funding beyond March 2016 is a concern for us, for price control. I guess that we would very much encourage the debate of that nature — on the funding of Northern Ireland Water — and, indeed, the consultation on its governance to ensure that we have married them when we take forward the strategic approach, so that we have sustainable solutions to such events as the freeze and thaw that we had, flooding, and so on.
234. I suppose that one other thing to mention to the Committee is that we understand totally the hardships that communities face and the reticence with regard to funding and charging. I suppose that there has always been a lot of protection in the water industry with regard to tariffs, and so on. I am very happy to provide the Committee with additional information if that would be helpful. I am not saying that that is the only way to solve the problem; it is more about certainty of funding.
235. **The Chairperson:** Thanks very much. I just want to take up your last points, Jo, on 2016. Can you explain to us how restrictive the uncertainty over extending

- the subsidy period to 2016 is for you and, indeed, to Northern Ireland Water?
236. Perhaps Shane could pick up on my second question. Last week, the Irish Congress of Trade Unions was in front of the Committee. We noted that it levied criticism at the perceived absence of transparency with regard to Northern Ireland Water's capital investment and revenues. Do you agree with it on that? I am interested to hear your views on that issue.
237. **Ms Aston:** OK. I will deal with the restrictions first. Perhaps I should discuss our experience to date with difficulties due to the uncertainty of funding. For price control 2010-2013 (PC10), you assume a certain level of capital investment. You try to establish a tight contract to ensure that Northern Ireland Water delivers and has responsibility to deliver. Then, you have restrictions on the public expenditure that comes in, with the withdrawal of £50 million in any one year and the capital profile changing dramatically. That is extremely difficult in a capital-intensive construction industry, in that you cannot just ramp up and ramp down. You can do it to a degree. However, you start doing what is not critically needed. You start laying water mains or sewers instead of treating your waste-water treatment works to ensure that you have development capacity and compliance with Europe. That is a real problem for us.
238. Equally, indeed, there are the efficiencies that we are encouraging Northern Ireland Water to drive out. Again, there are comparisons. The 38% efficiency gap in 2010 meant that Northern Ireland Water was paying £1.62 for every £1. That is too much to carry. We need to get that out. Others have walked these roads, such as Scottish Water, which is also a public sector water company. We need Northern Ireland Water to do that. It perceives that it has a lot of restrictions. We have had a lot of discussion and debate on the funding of voluntary early retirement and business improvement initiatives through price control. Again, that adds difficulty for the company and, indeed, for us in ensuring that it gets on with driving out and delivering the contract that we set it in our price controls.
239. **Mr Shane Lynch:** In my view, there can never be enough transparency. This is the first time that I have heard that the Irish Congress of Trade Unions had an issue on transparency, but I welcome the opportunity to address it from our perspective.
240. When we set price controls, the company submits to us its proposed capital expenditure programme, and, eventually, we sign off on a particular level. It is typically broken down into different categories of capital expenditure, from what we call asset replacement, which is just to keep existing assets in good shape, to quality improvement investment or environmental protection, which are largely driven by European directives. From our perspective, as a regulator, it is important that all capital expenditure is targeted and prioritised. We know what we are getting for our money, and we can measure the deliverable, so that if it is not delivered or something different is done, we can take account of that post-event.
241. As Jo has alluded to, going into the next price control from 2015 onwards, we want to be a lot more strategic and longer term about capital investment. It might be helpful to understand a bit more about exactly what the transparency issue is.
242. **The Chairperson:** It was recorded in the Hansard report, so the Committee Clerk will forward the appropriate section to you. I am not sure whether it is available yet.
243. **The Committee Clerk:** It is not quite available yet.
244. **Mr Shane Lynch:** We will be very happy to look at that and to meet with the Irish Congress of Trade Unions and discuss it with them.
245. **The Chairperson:** It will be available in the next few days, and we will let you

- have a look at that. It would be helpful to know your view on it.
246. **Ms Aston:** I have a summary of our final determination, and on the back page, we have a full breakdown of capital outputs. This is at quite a high level, but we have a capital investment chapter in our price control documentation, which talks about where the investment is going and what is needed. I would be very happy to understand the level of transparency that they are looking for, because one of our primary principles is that we want to be very transparent.
247. **The Chairperson:** It was raised last week, so if you have a look at it, it might be helpful if you come back to us on it.
248. **Mr Shane Lynch:** We are happy to do that.
249. **Mr Seán Lynch:** Thanks for the presentation. In your submission, you encourage an informed debate and consultation on the future funding of NIW. When should that take place? What are the key issues to be consulted on?
250. **Ms Aston:** It is difficult politically because you have a new election coming up. Therefore, I can understand that that circumstance might dictate some of the timetabling. If I look at how long it will take if we consult and how long it will take to implement the recommendations of that consultation, I would suggest that that might take two or three years. If you think about that timetabling, we are in danger of not getting started until the next mandate and not getting finished until the following mandate. The timing is a difficulty. Therefore, I urge that a lot of preparatory work has to be done in this mandate and then carried forward in the next one.
251. The key issues are around governance. Northern Ireland Water was set up as a government-owned company. There are different operating models. There is the Scottish Water model, the private model and the mutual model, so there are some fundamental issues around governance. There are also issues in respect of charging. There is a water framework directive, which requires charging down to the level of business consumer and agricultural and domestic household consumer, so there is a directive sitting there, which, in my view, we are not compliant with. Therefore, that is a discussion and debate that we must have. There are lots of things to go along with that in respect of how we protect the vulnerable and how we protect the people who cannot afford it, because water and sewerage services are fundamental for health. That is a very critical part to be covered in consultation.
252. **Mr Seán Lynch:** I have a follow-up question. Are you in favour of subsidy or charging?
253. **Mr Shane Lynch:** As we are largely an economic regulator, promoting value for money is embedded in our statutory duties. For us, the key consideration in any open-space debate is which model produces the most value for society as a whole. Which model would allow us to run Northern Ireland Water at least cost to drive operational efficiencies and at least cost to finance the organisation? Are there better models than the current hybrid model that we have that might free up money to be used in other sectors? We think that that is where a healthy debate can and should happen, and, from our perspective, the sooner the better.
254. **The Chairperson:** You could join the political scene any day, Shane.
255. **Mr Shane Lynch:** As Jo said, there are key issues that need to be dealt with, such as protecting vulnerable consumers.
256. **Ms Aston:** There is also a sustainability issue around the water environment. The way in which you connect with your domestic consumer base is difficult without some form of charge and consciousness of a need to pay for a service. I am just saying that as a matter of fact rather than an opinion, because how we go forward with charges is very much a policy decision for the Executive, and we fully accept that. Equally, it is important that we put that information on the table in respect of

- driving down levels of consumption and getting the best value.
257. **Mr Seán Lynch:** Do you have a preferred model?
258. **Mr Shane Lynch:** I will give you a bit of context first, and then I will answer the question. It would be a model that allows the company to deliver a long-term strategic plan with confidence. In other words, it would not be subject to the volatility of funding year on year, and it can finance it at least cost. You do not necessarily have to have water charges to achieve that model. You can get creative and do it without water charges, but it would be a challenge. For us, that is the fundamental thing. It is causing a delay in closing the efficiency gap.
259. In relation to ownership, let me make a few general comments about whether it matters who owns the company. We say that it does not really matter. Whether it is in public ownership, whether it is a mutualised business or whether it is in private ownership, the bottom line is that the business that we refer to is a natural monopoly, so you can never rely on competition to protect consumers. It is a natural monopoly, and it has to be regulated for that reason. Our experience of natural monopolies elsewhere in the world is that they work very well for consumers if they are well regulated. It is very important that you have good regulation. You can have privatised natural monopolies that are very efficient and drive out a lot of inefficiencies, but the distribution of that wealth is largely to shareholders rather than to consumers, because they are not well regulated. That is an important point. You need good effective regulation in whatever model you have.
260. **The Chairperson:** We have a domestic model at present. My understanding is that it is around £169 per domestic ratepayer. The charges for business, and I am even thinking of my constituency office, are fairly substantial in some cases. So, there already are charges, let us face it. Obviously, you are saying that those charges are not efficient.
261. **Mr Shane Lynch:** The bottom line is that some consumers are paying money, and the rest of society is paying the rest of money through the block grant. Our view is that, in total, taxpayers or consumers could be paying significantly less. In our current price control, we have set the company, in our final determination, a target to close some of that inefficiency gap. However, it still will not be anywhere near where its peers are in GB. The current model creates some restriction in how quickly it can close that gap. We have talked a little about that in our final determination.
262. **Ms Aston:** Crucially, the current model does not give the most effective delivery either, particularly because of the capital restrictions, because you do not know for certain how much capital you will get and you are restricted to spending your capital in one year. That pulls the company away from delivering what is strategically important and gives priority to delivering what the company can deliver in that year. That is not good for the industry or for consumers.
263. **Mr McNarry:** Some very interesting comments have been made, and I look forward to looking at them in detail in the Hansard report. I always have to get clear in my own mind who decided the policies of regulators and whether you are overextending your remit or wishing to overextend your remit by becoming a policymaker. I welcome and value the input that you have made on the basis of your experience and your comment that the taxpayer could pay less. That is a key matter that you have brought into this discussion.
264. I am still not convinced that water charges will or will not be introduced after 2016. I am just not convinced either way. I notice in the fourth paragraph of your letter that you encourage the Committee to organise an informed debate. In light of what you just said and what you said in previous answers to the Chair and the Deputy Chair, can you enlighten us as to how the debate could be structured as an informed debate when, really, we are struggling for information and

- where we go after 2015 is restricted? That is the crunch issue. We are likely to be going into an election with no Executive decision on what will happen. There is a cover for that, which is that a new Executive will make the decision. Manifestos might decide what will happen. I would be very interested to hear how you think such a debate could be set up. I agree with you that there should be a debate, but we, as a Committee, would struggle with organising a debate, because we do not have all the information. Hopefully, the inquiry will help us to put together enough information to allow us to do so.
265. Finally, after your last meeting, are you closing the gap in budgets between yourselves and Northern Ireland Water?
266. **Mr Shane Lynch:** On the first point, you are absolutely right: we are regulators and do not make water policy. However, we are pretty well informed and experienced, and we are more than happy to offer opinions when we are asked what we think about potential policy options. That is right. We are a key stakeholder, and other key stakeholders should contribute to that as well. We have a stakeholder forum in the water industry. It involves us, Northern Ireland Water, the quality regulator, the Department and the Consumer Council. What you have there is a collective body of experts with an interest and a stake in the future of the water industry. I do not want to speak for colleagues today without having cleared this with them, but clearly that forum is an opportunity for debate. That is one possibility. Subject to what colleagues might say, we would be happy to talk to interested individuals, including this Committee, about possible options and to do so constructively.
267. Your last question was about closing the gap between ourselves and Northern Ireland Water. The way that the regulatory framework works means that we have made our final determination. It is now with the company to accept or reject that, and it has until 14 February to decide. We will have to wait until 14 February.
268. **Ms Aston:** Positively, we produce an annual cost and performance report. The one that we published in early December reflected that Northern Ireland Water is meeting our previous and current price control, PC10, targets for operational efficiencies and, at the same time, is delivering improved standards of service. Its overall performance score is increasing. The company is making progress, and the gap is closing. When we started our job, the gap was 49%, and in 2010, it was down to 38%. So, progress is being made. Of course, as Shane said, we have put another challenge out to the company to accept in our current price control.
269. A decision to have a debate and a decision on when to have it would be very helpful. That could, perhaps, stop the manifesto decisions or statements, and it would allow hope that there will be a debate and provide an indication of when it might happen.
270. **Mr McNarry:** I do not want to get involved in an election conversation, but we all know what happened the last time. Only a very brave political party would say, from the information in front of it, "We are going to charge you for water." There is a cop-out in that. Well —
271. **The Chairperson:** Let us not get into that debate. Mr Dickson is encouraging it, but I would discourage it.
272. **Mr McNarry:** He is flag-waving over there with the wrong flag as usual.
273. On the debate issue, could the Committee be kept informed of what you do in the stakeholder forum that might generate something further on a political level? I would be very interested in that, and it would be very helpful.
274. **The Chairperson:** Your letter states:
"We understand the Minister has put a paper to the Executive".
275. We, too, understand that the Minister has put a paper to the Executive, but this Committee has not had sight of that or had any briefings on it. I just want

- to clarify that. There was some thought that the Committee might have had sight of that paper, but we have not, and I want to make that absolutely clear.
276. **Mr McAleer:** I want to draw the discussion back to the efficiency gap. One of the gripes that the representatives from NIW articulate when they come here is that you tend to compare NIW against a virtual frontier company. They say that that is not fair and that the gap, if it were compared to an average company, would be closer to £1.20 than to the £1.62 that you identified. How do you respond to that criticism?
277. **Ms Aston:** We talk about a notional company. The reason why it is notional is that you look at the real water company's performance in water and the real water company's performance on the sewerage side. That is what OFWAT does, and then we use that notional comparison. What you then do is look for the company that you can best compare against so that there are not anomalies due to poor information or whatever. You then take the company that is picked for having best comparison in water and best comparison in sewerage and you use that as your benchmark. That is where the notional company comes in, but it is not a made-up company; these companies do exist. The reason why it is notional is that you are taking the best for comparing in water and the best for comparing in sewerage.
278. In relation to Northern Ireland Water being more like £1.20, it released a statement saying that its comparison was £1 to £1.16. That included a modelling of the business activities. We do not have any transparency around that. Critical for us in benchmarking is that you are comparing like with like. When you look at business activities in Northern Ireland Water, it does not have a domestic base that is being charged. Therefore, it does not have the scale of consumer contacts that other water companies have. That business activity represents about 10% of the operational cost, and, therefore, in our previous price control, we excluded it because you could not compare like with like. That is what is skewing the result, and that is where the £1.20 comes out. If Northern Ireland Water does a benchmark similar to the one that we do, which tries, as far as possible, to compare like with like, we have a 38% gap, and it has a 34% gap. So, we are not a million miles away. The difference, even between the 38% and 34%, is because Northern Ireland Water puts special factors claims to us. We look at those, and we allow an amount of those based on our analysis. Northern Ireland Water, in its benchmarking, allows itself all of them. Therefore, that is the difference. When it comes to the gap, I do not think that we and Northern Ireland Water are a million miles away when we look at like for like.
279. **Mr Dallat:** The one promise that I will make, Shane, is that I will never criticise you for having a mind of your own. I welcome that. We are all sitting here this morning with jugs of water in front of us, and I would suggest that it is probably the best that you will get anywhere in the world. I say that having travelled quite a bit, and I have been in central Africa where people cannot get water.
280. To pick up on a point that you made earlier, Jo, is there some kind of discussion about whether money is spent on efficiencies or on capital investment? If you were to ask the public what is the most important thing about water, they would say the quality. Even today, there are people drawing water from private springs. People spend millions of pounds on bottled water, which is probably not as good as our water. At the end of the day, does the Bill provide for the money that is needed to continue to provide a quality of water that people can have confidence in? Earlier this morning, I am sure that people who eat beef burgers got their confidence well and truly shattered when they discovered that those are not right. Forget about the politics and about who will rule Ireland after 2016, can we be sure —

281. **Mr McNarry:** It will be the same rulers, John. Do not worry.
282. **Mr Dallat:** I knew that would draw a response.
283. Can we be sure that this glass of water will be the same quality or better, that it will protect us against infraction from Europe and protect us against any new challenges that disease throws up?
284. **Ms Aston:** Our water quality is the best that it has ever been. We have always enjoyed good water quality, and we thank Northern Ireland Water and the Water Service for that. We have a drinking water inspectorate, which samples water on a continuous basis and ensures, operationally, that it is kept compliant. Therefore, I am always reassured, and I would not buy bottled water. We have total reassurance in respect of the quality. You went on to say about it being EU compliant all the time. Standards are always going up. We have a new lead standard coming in. When we do price controls, we look at the drivers for investing, what we need to invest in and how much that will cost. Therefore, our price control process takes that on board.
285. We cannot do everything all the time. When we come to price controls, the list is far longer than our cut-off in what we can afford it to be. So, I cannot give you guaranteed assurance there. What is important in the price control process is that we reflect back to the Committee what the risks are, and we do that when we do our price controls in respect of the amount of investment that is being provided. Married to that, we need to know that we are getting the level of investment that we settle on to be able to manage.
286. **Mr Dickson:** Thank you for coming this morning. Is this Bill not a failure because it does not address what will happen post-2016? I am not entering into the discussion about whether we should charge for water, but the model of an organisation that we need to carry Northern Ireland Water forward and to do the things that you suggest need to be done can be done substantially more efficiently than they are being done. This is effectively two things: it is a missed opportunity to start to put in place where we should be; and it is only a sticking plaster to get us through a range of non-charging regulations.
287. **Mr Shane Lynch:** I will repeat what I said earlier. In our view, we are paying more for water than we need to as a society due to inefficiencies and suboptimality in the current model. We can demonstrate that and have demonstrated that, but we are not the policymakers; we are just regulators.
288. **Mr Dickson:** It should be asked as a comment in respect of the Bill. The Bill could have had a future model, whether it is mutual, privatised or in the style of Scottish Water. The reality is that all this will do is take us to 2016. The planning and the time requirements to get us to a new company will not happen overnight, so it is a missed opportunity. The very least this Bill could have done is to put in place an opportunity to determine a future model. We are not even having that discussion, but others have made that comment as well today.
289. **Mr Shane Lynch:** Notwithstanding the Bill, as a key stakeholder, we encourage a calm and sensible debate on the subject. Clearly, there are sensitivities because consumers are struggling quite a lot. Outside the Bill, we think that debate can happen, and we are keen to encourage it.
290. **The Chairperson:** OK. Thanks very much for coming along. I am sure that it will not be too long before we have discussions again.

23 January 2013

Members present for all or part of the proceedings:

Mr Jimmy Spratt (Chairperson)
 Mr Seán Lynch (Deputy Chairperson)
 Mr Stewart Dickson
 Mr Alex Easton
 Mr Declan McAleer
 Mr David McNarry
 Mr Cathal Ó hOisín

Witnesses:

Mr David Fry *Confederation of British Industry*
 Mr Nigel Smyth *Industry*

291. **The Chairperson:** We have two representatives from the Confederation of British Industry (CBI); Nigel Smyth and David Fry. You are both very welcome to the Committee, gentlemen. You have 10 minutes in which to make a presentation, after which you should leave yourself open for questions. I will not be terribly restrictive; I will give you an extra couple of minutes if you need them.
292. **Mr Nigel Smyth (Confederation of British Industry):** First, we welcome the opportunity to be in front of the Committee. I am Nigel Smyth, director of the CBI. My colleague David Fry is our senior policy adviser. We do not intend to make an initial submission because we put in a brief submission that you will have had a chance to digest. We are very much here to answer questions on that. However, I would just like to make a comment.
293. It is fair to say that we have been supportive of Northern Ireland Water as a government-owned company (Go-co). When I looked at our submissions to the Committee over the years, I saw that it has been some years since the CBI has debated that issue. It is fair to say that the issue of water and sewerage does not come up as a high priority when I am out and about with companies on a daily basis. There are lots of other policies that are to the fore.
294. We welcome the progress that the company has achieved in recent years to become more efficient and productive. We have seen and, indeed, our members have reflected the fact, that there is better customer focus. We have seen better use of technology and, through the regulatory process, more transparency as regards efficiencies and, indeed, investment. We have also seen the organisation significantly cut its absenteeism levels and, on the back of that, increase investment over a number of years.
295. In our submission, we pointed out that we do not see any alternatives to the Bill. If domestic charging were introduced, we think that that would be 18 to 24 months away, given the planning needed. Also in our submission, we highlighted the fact that we feel that it was a missed opportunity at this stage not to undertake a regulatory impact assessment in order to say that there is an ongoing subsidy of £280 million a year. Politically, we understand that nobody wants to introduce charges, but we believe that such an assessment would have been a great opportunity to understand that if that level of money were being invested in other services across Northern Ireland, there would be significant advantages, such as creating jobs and improving services. At the same time, we are very sensitive to the fact that there are people who could not afford to pay, such as the vulnerable, and that efforts would need to be put in to address that. We see this very much as a missed opportunity.
296. The other comment highlighted in our report and reflected in our recent response to the draft determination on the regulation of Northern Ireland Water and the next price round is that our

- members have a lot of concern about the current governance model. It has been clearly said by the regulator that the model is suboptimal. Again, it would be nice to have a more informed debate on that. We agree totally that Northern Ireland Water is on a journey and it has secured a lot of efficiencies, but there are clearly more efficiencies to be made. We believe that targets need to be realistic and based on sound evidence.
297. The final issue relates to incentives. The regulator puts a lot of stress on what he calls the “forefront”, or one of the other organisations, Scottish Water. However, when you look at Scottish Water, you see that it has significant incentives in place in respect of management and salary levels, and it has what we call invest-to-save measures. We also accept that it does not have the governance issues and complexities that there are in Northern Ireland. Therefore, the benchmarks need to be correct.
298. Going forward, we still see the need for an extensive capital investment programme for the organisation in order to ensure that we avoid EU infraction proceedings and see the improvements needed across the network.
299. That is all we want to say at this stage. We are delighted to be here. We will do our best to respond to questions.
300. **The Chairperson:** Thank you for that, Nigel. I will start. What does the CBI see as the options, benefits and opportunities for increasing investment in infrastructure? I just want to get that on the record. I should have said at the start that everything is being recorded for the Committee’s report by Hansard.
301. You state that the current governance model is adding to inefficiencies, while the Utility Regulator states that the efficiency gap is reducing. Which of those two statements is correct?
302. **Mr Smyth:** I will respond to both, and I will make sure that I understand the second one.
303. As there is an ongoing subsidy, £280 million comes out of the Northern Ireland block each year. Assuming that £80 million were set aside to address vulnerable issues — and that is a guesstimate of the figure — and that we had £200 million to invest each year; then, over a five-year period, that would be £1 billion that we could invest in other services, whether it is in health, education, telecoms, skills or technology. There are alternatives and options that would have a short-term impact of creating jobs and a stimulus, and would improve the competitiveness of Northern Ireland and improve services to customers and the public across Northern Ireland. It would be a significant investment. It would increase current investment levels by approximately 20% per annum. So, we believe that significant benefits would accrue from that. The precise benefits would depend on how that money was spent and in which Departments.
304. So, there are alternative options for how the money could be spent. There would be significant benefits to stimulate the economy and improve services, but it would mean that customers, particularly well-off customers, would end up paying more for water services.
305. **The Chairperson:** Given the figure of £280 million and the notional figure of £169 that every ratepayer pays it has been well established, certainly in evidence to the Committee over the past number of weeks, that every ratepayer pays £169. That money comes into government. Do you agree that part of the £280 million that goes to Northern Ireland Water comprises existing domestic water charges?
306. **Mr Smyth:** Again, to clarify; if we assume that the figure of £169 is part of our rating system, our understanding is that domestic rates in Northern Ireland would be significantly less than those in the rest of the UK. If we take it that the figure is £169, that would mean clearly that the domestic household bill would go up by a few hundred pounds in order to pay for the £200 million.
307. Arguably, we would want to keep the billing cost low, so the money could be

- collected through the rating system. We have called for a better benchmarking study of what householders in Northern Ireland pay, looking at the rating bill in total and looking at the contribution for water.
308. It would mean that people would have to pay more. We have not done a calculation of exactly what it would mean. However, if the water element is taken to be £169, which we do not disagree with, that would mean that our bills in Northern Ireland would be extremely low compared to those in the rest of the UK. If we are expecting our public services to be at the same level, it is hard to see how we are going to get that if householders do not pay similar contributions.
309. **The Chairperson:** The Utility Regulator came up with the figure of £377 as the amount that would need to be paid currently. I have also heard the figure of over £400 mentioned. It has been well established that £169 is the figure that we all pay for water through domestic rates. That is £169 towards — *[Interruption.]* I think that that whistling noise is an iPad, in case somebody thinks that they are being whistled at. The member is not here at the minute. The £169 is brought in by the Department of Finance and Personnel (DFP) through the rating system. I would have thought that it is paid out again as part and parcel of the £280 million subsidy. It is a question that we probably need to ask Northern Ireland Water and DFP, and we probably should ask those questions. Some of the £280 million is being paid by the ratepayers and taxpayers of Northern Ireland at the moment.
310. **Mr Smyth:** I understand that, but we would look at this issue in the round. If we take £169 from typical ratepayers and assume that that is the water charge, that is fine. We are then left with the fact that the contribution that householders are paying is probably half of what householders in the rest of the UK are paying. That is great for householders, but it is hard to see how we can get public services at the same level, unless we are delivering them much more efficiently. In our view, based on the evidence, that is not the case. In the case of Northern Ireland Water, we have seen the benefit of moving the function away from the public sector in the creation of a much more public service ethos. Giving it a more commercial focus is leading to costs being taken out at a rate. It is part of a journey and a very major transformation. The problem is that the rates we pay are substantially lower than those elsewhere in the UK.
311. **The Chairperson:** Can we move to the second question, which is on inefficiencies?
312. **Mr Smyth:** I am not sure that I fully understood that. We believe that there have been significant efficiency gains. There is a current debate about —
313. **The Chairperson:** You stated that the current governance model is adding to inefficiencies.
314. **Mr Smyth:** Yes.
315. **The Chairperson:** You are saying that, while the Utility Regulator, in its reports, is saying that the efficiency gap is reducing.
316. **Mr Smyth:** Yes.
317. **The Chairperson:** Those are two contrary statements, if you like. Which one is correct?
318. **Mr Smyth:** I do not think that they are contrary. The current debate is about the rate of improvement in efficiency. In the draft determination, the regulator has done a lot of benchmarking with Scottish Water, as the leading organisation. It has improved its efficiencies significantly. We believe that there is room for more efficiencies here, but because of the current governance model, there are additional costs, additional bureaucracy, and it is a lot slower to get decisions made. The regulator agrees with that. He says that it is suboptimal. Northern Ireland Water is frustrated, and it takes a lot more time. We are trying to create a more dynamic organisation. We

certainly want organisations that are delivering services to our members to be as efficient as possible and to be more agile and responsive.

319. I think that we are consistent, and I think that Northern Ireland Water would say that. From reading the draft determination, my understanding is that the regulator accepts that there are additional costs involved and regulatory issues in which Northern Ireland Water is caught up with the Department that are potentially delaying that. In our response to the final determination, we felt that the regulator was setting a very aggressive efficiency level but that, perhaps, he had not taken that into account because he was benchmarking against Scotland. Scottish Water, which has now all come together, does not have those issues. It has quite strong incentives through the invest-to-save initiative, and it has quite strong financial incentives, albeit modest, to incentivise and motivate staff. Northern Ireland Water does not have any of those things in place, so it is very hard to say whether that is the correct benchmark or whether we need to take that into account when we set, quite rightly, challenging targets for Northern Ireland Water.
320. **The Chairperson:** That is very helpful. That has clarified the issue, and I was looking for clarification. It is on the record now as well.
321. **Mr Lynch:** Nigel, you spoke about a missed opportunity. Can you elaborate on that? Was it a missed opportunity for the Executive to introduce charging, or what did you mean?
322. **Mr Smyth:** Obviously, in the current Budget settlement, capital investment has fallen by around 40%. For a few years, 2009-2010 and 2010-11, the Executive, across Departments, were spending in the order of £1.6 billion to £1.7 billion. With the austerity and a cut of approximately 40%, that was offset slightly, and capital spending has dropped to being in the order of around £1.1 billion. That has had a big impact on the construction sector. Other

issues to do with the housing market have impacted on the construction sector, and because of the reduction in capital spend, many local construction companies have had to find work outside.

323. Clearly, the options are here, in that ongoing subsidy. The Executive are deciding to subsidise Northern Ireland Water. In this paper, we argue that we should have a wider debate on that. The Executive could decide to spend that £200 million in other Departments. We could have more schools. Yesterday, the Minister of Education made an announcement on schools, which we have welcomed. He says that he has no money at the moment, but we think that it is very important that we have shovel-ready projects, because, with capital spending, you never know whether there will be a delay in planning or whether an issue will come up. We are saying that we should have a lot of projects across Departments that are ready to go. The issue is that some of that £200 million could go into schools. We could bring projects forward and bring benefits to education. Some of it could go into telecom.
324. Across the spectrum of Departments, there are lots of other opportunities to spend capital, and there could be wide benefits. Up to now in Northern Ireland, we have not had any debate on that. As we say in our paper, we accept that, politically, this is difficult. No one wants to pay more charges, but we believe that it would be helpful if we were to have a broader debate to try to understand what the benefits would be to householders, consumers, businesses and, indeed, what stimulus it would provide to the construction sector. Hopefully, that clarifies that point.
325. **The Chairperson:** I agree with you about shovel-ready projects. I think that all Departments need to look very closely at that. Do you agree that Northern Ireland Water should always have a number of shovel-ready projects; for instance, on new mains? You would have thought that a number of those could

- be ready to go, which would help the construction industry.
326. **Mr Smyth:** Absolutely. It is fair to say — recollecting what members have said to me — that Northern Ireland Water has a pretty good track record of actually spending money, but every Department and organisation with capital spend should be in a position to be able to spend more and have projects ready. With Northern Ireland Water, the planning issues — because most of the work is below ground — are less sensitive regarding mains network improvement, etc, but, clearly, some of the other Departments will need planning permission in some of the more sensitive areas. We know about the problems that we have had in the road network on the back of that. However, the answer is yes. Every Department and agency with a potential capital programme should have projects that are ready to run so that, when the budgets become free and available, they can proceed. That is what the economy needs at the moment.
327. For every pound spent, you get something like £2.70 in economic value. We are arguing nationally, and here in Northern Ireland, that construction is a major stimulus to the local economy. Some projects are more labour intensive than others, but in trying to come out of the recession, we see construction spend as a very high priority.
328. **Mr Dickson:** Thank you for your presentation. Does the CBI have a view on the model of the government-owned company that we have at the moment? Do you have a preferred option as to how water should be delivered and what type of company should deliver it in Northern Ireland? It has been suggested that the Scottish model is potentially the preferred one for Northern Ireland. Would the CBI prefer to see Northern Ireland Water owned by a fully privatised, profit-making organisation?
329. **Mr Smyth:** It is fair to say that we have not debated that in our organisation in recent years. As I said at the outset, we were very supportive of the Go-co model.
- Going back nearly 10 years, when we did have significant debates about the consultation, we ruled out privatisation then because we did not think that the organisation was in such a shape that you could do anything with it. We ruled out the mutualisation model at that stage because of the risks involved. We have seen that even with the Moyle interconnector. With a mutualised model, the risks lie with the customers, and if something goes wrong, they are going to pick up the tab. At that stage, we thought that the risks and liabilities were so significant that that would not be right.
330. I am conscious that we have not had that debate recently. We were very supportive of the Go-co model and we would have liked to have seen that. Our understanding is that that was done away with because of the financing issue, but we believed that it was a model that would work, and we were very supportive. It is fair to say that we have an open mind on the mutualised-type model. We have a much better understanding now, there is a lot more transparency, we have an independent regulator and we know the direction of travel in which we are going. There might be some argument about going a little bit harder in terms of efficiencies or whatever, but we have a much greater understanding of the organisations, risks, liabilities and overall direction of travel, so we are very open to that. We have not been calling out for privatisation, but, clearly, representing the private sector, we would welcome that and have no problem with it. Some of our members would argue very strongly, but there are other options there that we would probably be equally happy with.
331. It is more important to have an organisation that is commercially focused, customer focused and that is not getting tied up in bureaucracy. We want an organisation that is agile, can understand its financing and have the freedom and flexibilities around that. The name and structure are probably less important than what it actually does

- in ensuring that investment is there, appropriate incentives are in place, and that management can manage the organisation and continue to deliver a better service for customers.
332. **Mr Dickson:** Given the current financial model and the arrangements that we are being forced into because the Executive insist on subsidising domestic water, you cannot actually deliver what you have described as an ideal company, because European and other regulation prevents us doing that. Do you agree that the Bill fails by running to 2016, and that it would be better if it extended to only 2015 to allow for that debate to take place and for the Executive to bring forward plans for a future model of financing that will allow them to move away from this year-on-year style of financing?
333. **Mr Smyth:** It is fair to say that we have not reflected a view on that point. We need to have a debate — hopefully, a high-quality one — on that. We understand that even if a decision were arrived at next year, we are probably some way away from getting that, so 2016 is probably reasonably sensible.
334. Clearly, the Go-co model is ruled out now due to the financing. I am not sure whether that would rule out the mutualisation-type model and various things. There may be a commitment to mutualisation and an ongoing subsidy, but I do not have a good enough understanding of the governance to be able to do that. Clearly, it rules out privatisation. Our understanding is that there would be very little political interest in that.
335. As I said earlier, this is more about how the company organises itself, delivers services and has the freedom and flexibility to do that because, ultimately, we are after quality of service and lower bills for our members. I am sure that that would be reflected if and when that applies to the domestic sector as well.
336. **Mr Ó hOisín:** Thanks, Nigel. Your paper refers to the current governance arrangements being subject to:
- “political interference, bureaucracy and complex governance relationships”*
337. and how that is not squared with the envisaged “economic, social and environmental benefits”. How does that square with the delivery on affordability issues and the protection of the most vulnerable when it comes to charging? That is notwithstanding the other mitigating factors that you outlined earlier.
338. **Mr Smyth:** We accept that a lot of people in Northern Ireland are in a very vulnerable situation and that you would not want to give them an additional water charge. At the same time, hundreds of thousands of households in Northern Ireland are in a well-off position and could afford to pay water charges. In addition, lots of investment would go into other areas in Northern Ireland. That comes back to the position of having a good and high-quality debate around that. We would need to design some form of charging system and look at how we identify the vulnerable. The Executive are going to take a political decision to subsidise those who are most vulnerable. That is doable. Our argument is that many people in Northern Ireland, although not wanting it, could afford to pay a water and sewerage charge. We would then have the benefit of additional investment in Northern Ireland in other areas and other public services.
339. **Mr Ó hOisín:** So, you see a multi-tier system, as such. Surely there would be governance issues in that as well.
340. **Mr Smyth:** There would be. I think that we said in our response that if we are getting into the debate about a charging system, we need to design one that is very efficient. We then need to say that there are a lot of vulnerable customers out there, whether they are pensioners or people on benefits. So, we then need to design a system for them. We have argued that that should be integrated and should look at all the other aspects of their vulnerability, and we should try to address that in an efficient manner at the same time.

341. We should not design a system to try to address the vulnerable. We should design a sensible charging system and then think about how we will protect and look after the most vulnerable on the back of that. We accept that we will not raise the total amount of money. We will need to put substantial amounts of money into helping and protecting those people.
342. We are also very conscious of the current difficult economic times. We always said that if charging were to come in, it would be phased in over four or five years, particularly because of the difficult economic circumstances. The business community in Northern Ireland is concerned that we are not really having a debate about this. You will get a very negative reaction if all you say is that you are thinking of charging domestic consumers for water. We would like to say that we are about to invest an extra £1 billion in services in Northern Ireland. That would be a major economic stimulus. Those are the benefits that we would achieve in various areas, but if we do that, I am afraid that there will be a charge. However, we will have a system in place to protect the most vulnerable.
343. **The Chairperson:** OK. I do not think that anyone else has a question. Nigel, do you want to say anything in conclusion?
344. **Mr Smyth:** No, only to confirm that we are delighted to be here, and, hopefully, we clarified those points.
345. **The Chairperson:** From my perspective, your written report and evidence have been very helpful, and the issues will be included in the report. Thank you very much indeed. I am sure that we will talk again soon.
346. **Mr Smyth:** I am sure that we will. Thank you very much indeed.

23 January 2013

Members present for all or part of the proceedings:

Mr Jimmy Spratt (Chairperson)
 Mr Seán Lynch (Deputy Chairperson)
 Mr Stewart Dickson
 Mr Alex Easton
 Mr Declan McAleer
 Mr Ian McCrea
 Mr David McNarry
 Mr Cathal Ó hOisín

Witnesses:

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

347. **The Chairperson:** We have a briefing from the Department for Regional Development (DRD) on the Water Bill. I welcome Stephen Rusk and John Mills from the Department. I do not have the details of your positions in the Department; perhaps you will clarify them for the record. The session will be recorded in a Hansard report.
348. **Mr Stephen Rusk (Department for Regional Development):** Thank you, Chairman. I am Stephen Rusk from the water policy division, and I report to John, who is the director of water policy in DRD.
349. **The Chairperson:** Since officials will talk about the Bill, it might be helpful if you have it in front of you, as we are going on to a discussion in closed session immediately after this discussion. Sorry for interrupting you, Stephen. Go ahead.
350. **Mr Rusk:** Thank you very much. Thank you for the opportunity to give evidence again today on the Water and Sewerage Services (Amendment) Bill, which is in its formal Committee Stage. The Bill consists of two substantive clauses. Clause 1 will amend the Water and Sewerage Services (Northern Ireland) Order 2006 to extend by three years the initial period in which DRD will pay a subsidy to Northern Ireland Water in lieu of household water charges. Under the current legislation, the initial period will expire on 31 March this year. The Bill will, therefore, implement the Executive's Programme for Government 2011-15 commitment not to introduce any additional household water charges by extending the initial period to 31 March 2016.
351. Clause 2 provides for the registration of statutory charges in respect of certain works on private land. Under the Water and Sewerage Services (Northern Ireland) Order 2006, water and sewerage undertakers are empowered to lay certain pipes and sewers on private land, but, before they do so, they are required to issue notices to owners and occupiers. 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, making that information, including the location of the pipes and sewers, publicly available.
352. We know that the Committee has been taking evidence on the Bill from various interested parties, and we are happy to take any questions that you may have about the content of the Bill or, indeed, any of the relevant matters that have been raised during the Committee's consultation.
353. **The Chairperson:** OK. Thanks for that, Stephen. Can you tell me why the subsidy was extended to 2016, particularly when the next Utility Regulator's price control will run from 2015 to 2021? Secondly, the Executive are considering an options paper from the Minister on the future governance of Northern Ireland Water. Can the Department indicate the timeline for the paper and advise us when the Committee will be afforded the opportunity to look at it and to discuss it? It is very important that that be done at an early stage, but the indications

- are that the paper has been with the Executive for some time.
354. **Mr John Mills (Department for Regional Development):** On the last point, the paper was issued to the Executive in September, and in December, the Executive remitted the paper to the Budget review committee for discussion. The Budget review group has had one meeting at which that was raised and has called for officials in the Department of Finance and Personnel and DRD to bring forward options to it. That is where it is at the moment. From the Minister's point of view, that is quite an early stage. However, I know that the Minister has made a commitment to bring any proposals to the Committee, so I will convey your statement to the Minister that that should be sooner rather than later.
355. **The Chairperson:** Several of the groups that gave evidence to us on the Bill know of the paper's existence and are aware that it has been with the Executive, and they have raised the issue in their evidence to the Committee. Indeed, some of them are amazed that we do not know anything about it, and we have had to say that it is with the Executive and has not been shared with the Committee at this point. Therefore, it would be helpful if we could get a timeline because it is important that the Committee has an early debate on the issue.
356. Moreover, some people who gave evidence to the Committee about the paper asked for an early debate, so there is obviously a fair amount of interest in it; people want to add to the debate on issues that may be in the paper. I accept that you will take it back to the Minister, but do you think that it will be sooner rather than later?
357. **Mr Mills:** I am not quite sure of the next date of the Budget review group, but I believe that it is scheduled for some time in March. The paper has been sent to the Executive, so no stakeholders have seen papers that the Committee has not. I just want to confirm that.
358. **The Chairperson:** As a Statutory Committee, part of our remit is to help to develop proposals on issues. If we get it when everything has been decided, it seems like a done deal to everybody, and the Committee does not have the input that it should in developing proposals. It is important that that issue be taken into consideration by Executive colleagues, the Minister and departmental officials. At the end of the day, the sooner we get involved in that, the better. I accept what you say, and I hope that you will come back to us, or that someone will come back to us at a reasonably early stage. Can we go to the first question?
359. **Mr Mills:** Yes. First, the extension to 2016 follows the previous extension from 2010 to 2013. Secondly, it more or less accords with as far into the future as the Executive were looking when they made the policy decision in the Programme for Government to have no new household charges during the current mandate. Therefore, 2016 takes us beyond the current mandate and so fulfils the Executive's commitment in the Programme for Government.
360. I suppose you could say that the Executive could have decided either never to have water charges or to consider their introduction during this mandate, in which case the period might have been shorter or longer. However, the situation is that there will be no charges during this mandate, and that is what the legislation reflects.
361. **Mr Lynch:** The representatives from the CBI expressed concerns about governance and said that there was political interference, bureaucracy and complex governance relationships. Do you agree? How do you intend to resolve those issues?
362. **Mr Mills:** The current arrangements are complex; nobody hesitates to say that. Northern Ireland Water is two things at once. It is a company designed to be at arm's length from government with the freedoms and flexibilities to deliver efficiencies; that is how the body was originally envisaged when it was set up

in 2007. On the other hand, because it has remained majority funded from the public purse, it is also defined as a non-departmental public body and has the same controls applied to it as any other non-departmental public body. Therefore, there is a contradiction there for sure, and the arrangements are complex.

363. The Minister has put a paper to the Executive on future governance, and the Budget review group is considering it. It is fair to say that the Minister's view is that until there is some form of consensus, it is hard to land on a particular option. That is where the longer-term governance issue is at the moment.
364. **Mr McAleer:** How does clause 2 differ from the current situation?
365. **Mr Rusk:** At the moment, article 220 of the Water and Sewerage Services (Northern Ireland) Order 2006 allows Northern Ireland Water to lay pipes on certain land; so on a piece of private land, it is empowered, where it needs to do so, to lay a pipe or a sewer. It is also allowed to inspect, maintain, adjust, repair or alter those pipes and sewers, and to carry out works that are necessary to do so. This clause does not change any of that, except to say that, where Northern Ireland Water exercises its power to enter a person's land to lay a pipe or a sewer or to carry out works to enable that to be done, the notice given to the landowner or occupier must be registered in the statutory charges register. That makes it searchable, publicly and by solicitors, should people need to know whether there is a pipe or a sewer there that would need to be accessed in future.
366. **The Chairperson:** I do not have any other indications from members who want to ask questions, so I thank you both very much indeed. We are in discussions, and we will be taking that to the Assembly reasonably soon. I hope that the Executive and the Minister are as fast in letting us have a look at the other paper. One good turn deserves another.

23 January 2013

Members present for all or part of the proceedings:

Mr Jimmy Spratt (Chairperson)
 Mr Seán Lynch (Deputy Chairperson)
 Mr Stewart Dickson
 Mr Alex Easton
 Mr Declan McAleer
 Mr Ian McCrea
 Mr David McNarry
 Mr Cathal Ó hOisín

367. **The Chairperson:** We will now do the clause-by-clause consideration of the Water and Sewerage Services (Amendment) Bill. We need to agree each clause individually.

Clause 1 (Grants to water and sewerage undertakers: further extension of initial period)

368. **The Chairperson:** Clause 1 grants to water and sewerage undertakers future extension of initial period.

Question, That the Committee is content with the clause, put and agreed to.

Clause 1 agreed to.

Clause 2 (Statutory charges)

369. **The Chairperson:** Clause 2 is on statutory charges.

Question, That the Committee is content with the clause, put and agreed to.

Clause 2 agreed to.

Clause 3 (Short title)

370. **The Chairperson:** Clause 3 is the short title. I put it to the Committee that it is content with clause 3.

371. **Mr McNarry:** What you said on the short title gives me an opening.

372. **The Chairperson:** Are you saying that you do not want to agree it at the minute?

373. **Mr McNarry:** I want to ask you a question to clarify something.

374. **The Chairperson:** OK. Go ahead.

375. **Mr McNarry:** In light of the evidence, it is clear that this is a Bill to cover a short time. Is there any danger of this Committee walking itself into something that we will be leaving for another Committee or another Assembly? As far as I am concerned, what we are agreeing is patchwork stuff. We have no choice but to agree it. Within what you might say, or if it was the view of the Committee, will there be scope for the Committee to say that it is aware of where the Bill sits and what its intentions are but that, really, that is not the whole story? I have not yet heard any valid reasons from the Department, and there was no point questioning it there. Where we are going with this seems to be a secret, particularly given that the regulator told us last week that if efficiencies were introduced now, all our constituents would be paying 38% less. I do not know whether there is room to cover that, but it seems to me that the Committee might want to cover that itself.

376. **The Chairperson:** I will let the Committee Clerk come in on that.

377. **The Committee Clerk:** Members will have the opportunity soon. One of the outcomes of members considering a Bill such as this is a formal Committee report, and that is on the agenda to be considered following this. The Committee has the opportunity in the report to comment further on the clauses in the Bill, and there will be a debate on that. Members will then have a further opportunity, over and above that, in plenary, to put forward whatever concerns or comments they have about the Bill, provided that that sticks to the policy direction of the Bill.

378. **Mr McNarry:** Thank you very much.

379. **The Chairperson:** Does that clarify it for you, David?

The Committee discussed its report in closed session.

380. **Mr McNarry:** Yes. Thank you.

390. **The Chairperson:** We are now back in open session. We return to the Committee report, which we have just discussed and agreed in closed session. I now need to formally put it on the record. I am going to go through it. Members have already gone through it, so I will now formally ask members again. Are members content with the powers and management and with paragraphs 1-11, which were agreed in closed session?

381. **Mr Dickson:** On a similar note, I am not convinced that extending it by that period is necessarily correct; I believe that it should be extended by one year less than the period by which it has been extended. That would require the Executive to leave the way open for a future Administration to make the decision rather than this Administration making a decision that will flow into the next Administration. Therefore, I am concerned about the length of time.

Members indicated assent.

382. **The Chairperson:** It has to be extended beyond 2015 for the Programme for Government commitment. It has to be extended by a year to allow —

391. **The Chairperson:** Are members content with paragraph 12, as amended by the Committee in closed session?

Members indicated assent.

383. **Mr McNarry:** What happens if the Assembly is extended for another year?

392. **The Chairperson:** Are members content with paragraphs 13-27 of the report?

Members indicated assent.

384. **The Chairperson:** That is not the case at the moment; we have to deal with the here and now. That is, I suppose, a reasonably strong possibility, but we have no control over that. Members have already agreed to this. Stewart, a short time ago, you agreed to extend it through clause 1.

393. **The Chairperson:** Are members content with paragraph 28, as amended during the closed session?

Members indicated assent.

385. **Mr Dickson:** I am sorry, Chair; that is why I am raising the issue. I have a concern about the period by which the Bill extends the subsidy. My preference is for one year less.

394. **The Chairperson:** Are members content with paragraphs 29-31?

Members indicated assent.

386. **The Chairperson:** That concern can be recorded in the report. I am sure that you will make your feelings felt in the debate.

395. **The Chairperson:** Are members content with the clause-by-clause scrutiny?

Members indicated assent.

387. **Mr Dickson:** Ok.

396. **The Chairperson:** Are members content that the report, associated minutes of proceedings and appendices be ordered to be printed?

Members indicated assent.

388. **The Chairperson:** We go back to the Question on the short title.

Question, That the Committee is content with the clause, put and agreed to.

397. **The Chairperson:** That concludes this morning's session.

Clause 3 agreed to.

389. **The Chairperson:** Members, we now go into closed session to discuss the Committee report. This should not take long.



Northern Ireland
Assembly

Appendix 3

Written Submissions

The Confederation of Business Industry

NI 01 13

CBI submission to the Committee for Regional Development on the Water and Sewerage Services (Amendment Bill)

Introduction

- 1 CBI Northern Ireland is an independent, non-party political organisation funded entirely by its members in industry and commerce. Across the UK, the CBI speaks for some 240,000 businesses which together employ around a third of the private sector workforce. Our membership in Northern Ireland includes businesses from all sectors and of all sizes. It includes the majority of the top 100 companies, small and medium-sized enterprises (SMEs), social enterprises, manufacturers and sectoral associations.
- 2 CBI Northern Ireland welcomes the opportunity to comment on the Draft Bill as part of the Committee Stage consideration of the Bill.

Comments on the Bill

- 3 In terms of the Bill itself we recognise that its purpose is solely to extend the domestic sector customer subsidy to NI Water for a period of another three years. As we currently stand the Assembly faces no alternative but to support the Bill. However we do believe the failure to complete a Regulatory Impact Assessment (RIA) which was considered as 'unnecessary' is a missed opportunity. The completion of an RIA would have been an excellent opportunity to consider the 'opportunity cost' of this ongoing subsidy of around £280m per annum to the domestic sector. To help move the debate forward and to a more constructive level this assessment could have provided valuable information to Assembly members on the options, benefits and opportunities (including the equality impact issues) of increasing investment in infrastructure and services in other areas by reducing the subsidy to domestic consumers by the NI Executive.
- 4 We recognise the political difficulties with introducing unpopular measures – no one is keen to pay more for services, while we also fully recognise the importance of protecting the vulnerable and those who face 'affordability issues'. However what is lost from the current discussion is any recognition of the wider economic, social and environmental benefits which could be realised by investing the NI Executive funds in alternative ways while introducing more cost reflective charging to domestic households for the provision of water and sewerage services.
- 5 With the current economic pressures continuing any changes would need to be introduced in a phased manner – while a mechanism to support the most vulnerable and those on low incomes should ideally be developed as part of an overall co-ordinated strategy to help address these groups.

More general issues

- 6 Customers continue to need high quality, cost competitive water and sewerage services – this is necessary to support a modern economy, facilitate growth and ensure high living standards. This will require strong leadership and management, further improvements to efficiency, an increasingly responsive and customer focused organisation, and continued investment in capital assets, maintenance and people. We support the current regulatory process with the aim of achieving a robust, yet fair, regulatory outcome delivering ambitious but realistic efficiency savings.
- 7 It remains critical that the current leadership under Board direction and a strong and competent management team are suitably incentivised to deliver the reform agenda. They

must also be allowed to manage – and CBI members are concerned that there is a risk at present, under the current governance arrangements, that there is too much political interference, bureaucracy and complex governance relationships. Governance structures should provide clear management focus and accountability, and enable the organisation to attract and retain experienced and motivated staff. The Utility Regular has stated in the ‘Draft Determination’ consultation document in price control review that the current governance model is ‘sub-optimal’.

8 NI Water must also be given the capability to deliver investment to meet consumer needs and to ensure EU requirements are met. We continue to believe a major investment programme is required, and are concerned that this has been impacted by Northern Ireland Executive’s budget process (and constraints), together with the lack of end year flexibility. With high capital intensity the organisation needs to have access to capital at lowest possible cost and have predictability. We also believe that an asset management plan should be independently assessed while future demand, asset replacement and investment priorities must be subjected to strong commercial tension.

9 In the CBI’s recent submission to the Utility Regulator’s Draft Determination on the next price control review we stressed the importance of dealing with the following issues:

- The current governance model for NI Water is unsatisfactory – there is additional and unnecessary bureaucracy, various protocols/financial memoranda, complex relationships, and uncertain revenue streams. The current model is not compatible with independent regulation and is clearly adding to inefficiencies and a drain on management resources – this is not sustainable. It may also lead to delays and inefficiency in capital expenditure due to departmental constraints
- With regards to Operating Expenditure – we welcome an ongoing focus on securing further efficiency improvements. We believe the targets should be realistic and based on sound evidence
- Incentives – it is essential that the management of NI Water are given appropriate incentives to deliver the outcomes which customers require. This was not sufficiently addressed in the current Draft Determination nor does it appear to have been adequately addressed in the Final Determination – some greater flexibility and incentives could deliver more benefits to consumers, and lead to improved efficiencies, including through ‘invest to save’ measures and outperformance measures.
- With regards to Capital Expenditure – we recognise this is no longer within the control of NI Water/NIAUR due to existing governance structures. We are broadly content with the proposed level of capital expenditure – our members would wish to have reassurance that the level of capex planned is sufficient to avoid any rapid increases in capex in future years which could in turn lead to more volatile tariffs

10 Significant progress has been achieved in recent years in the performance of NI Water. Greater efficiency and productivity, a better customer focus, increased use of technology, lower absenteeism, and more transparency are evident. The organisation and customers have also benefitted from increased investment. Further progress is still required in these areas to create a world-class utility, but this will require a resolution to the governance issue in order to minimise the overall costs of service delivery and provide the necessary certainty and predictability with regards to capital funding.

**CBI Northern Ireland
January 2013**

The Consumer Council



Telephone/Textphone: **028 9067 2488**
 Complaints Telephone: **0800 121 6022**
 Fax: **028 9065 7701**
 E-mail: **info@consumercouncil.org.uk**
complaints@consumercouncil.org.uk
 Websites: **www.consumercouncil.org.uk**
www.consumerline.org

Chairperson
Rick Hill
 Deputy Chairperson
Mandy Patrick MBE
 Chief Executive
Antoinette McKeown

The Consumer Council

Elizabeth House
 116 Hollywood Road
 Belfast
 BT4 1NY

Ref: 3/15/4.18

8 January 2013

Mr J. Spratt MLA
 Chairman
 Regional Development Committee
 Room 254
 Parliament Buildings
 Stormont
 Belfast
 BT4 3XX

Dear Mr Spratt

Re: The Water and Sewerage Services (Amendment) Bill

Firstly, I would like to take the opportunity to wish you and members of the Committee for Regional Development a Happy New Year and we look forward to working with you again in 2013.

As you know, the Consumer Council has a statutory remit to *promote and safeguard the interests* of consumers in NI and specific functions in relation to energy, water, transport and food¹. These include considering consumer complaints and enquiries, carrying out research and educating and informing consumers².

The Council understand that the Water and Sewerage Services (Amendment) Bill will enable the Department for Regional Development to continue to make payments to NI Water for an additional three years. This is the subsidy to cover charges that would otherwise be levied on domestic consumers by NI Water.

¹ The Consumer Council undertakes its specific functions in relation to food recognising the role of the Food Standards Agency (FSA). The FSA has responsibility for the development of food policy and for the provision of advice, information and assistance, in respect to food safety or other interests of consumers in relation to food. Therefore, to ensure good value and use of public money, the Consumer Council and FSA have a memorandum of understanding and the Council's strategic focus on food is primarily in relation to food prices and customer experience.

² The General Consumer Council (Northern Ireland) Order 1984, 1984 No. 1822 (N.I. 12), <http://www.legislation.gov.uk/nisi/1984/1822/contents>



The Consumer Council supports this legislation as it fulfils the commitment by the NI Executive in its Programme for Government 2011-15 not to introduce any additional household water charges.

A second function of the Bill is to make a technical amendment to the Land Registration Act (NI) 1970 so that NI Water's notification to lay certain pipes and sewers on private land will be registered at Land Registers NI.

The Consumer Council supports this aspect of the Bill as it benefits consumers by ensuring information is publicly available, especially to prospective property purchasers.

The Council looks forward to discussing this with you and Committee members at the Committee's meeting on 16 January 2013.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Antoinette McKeown', followed by a stylized flourish.

ANTOINETTE McKEOWN
Chief Executive

The Irish Congress of Trade Unions

Coalition against Water Charges

Water and Sewerage Services (Amendment) Bill

1. The Irish Congress of Trade Unions (ICTU) welcomes the invitation to give evidence to the Regional Development Committee on the proposed Water and Sewerage Services (Amendment) Bill now under consideration at Committee stage. In 2006 the ICTU established the trade union based Coalition against Water Charges to campaign against the introduction of household water charges and against the privatisation of water and sewerage services. ICTU has therefore requested that Coalition representatives should provide this evidence to the Assembly Committee.

Summary

2. The key points in the Coalition's evidence are as follows:-
 - the Coalition supports the enactment of the Water and Sewerage Services (Amendment) Bill
 - The Coalition submits that any proposals to change NI Water's governance arrangements should be consistent with the following principles:-
 - Water and sewerage services should be delivered by a body clearly within the public service and accountable to the people of Northern Ireland through the NI Assembly)
 - NI Water will not be privatised
 - No separate household water charges will be introduced.
 - Future governance arrangements for NI Water should be addressed now in full consultation with stakeholders including the trade unions.
 - Future governance arrangements must meet the principle of full transparency of all capital and revenue costs of NI Water. In addition, the consultations on future arrangements must facilitate full public scrutiny of all the costs of NI Water and its relationship with NI public expenditure.
3. The Executive's Programme for Government 2011-15 affirmed that there would be no additional water charges imposed on households in Northern Ireland for the lifetime of this Assembly; this in turn delivered on the commitments made by the political parties to the electorate at the 2011 NI Assembly elections. The Water and Sewerage Services (Amendment) Bill is therefore required to implement these commitments enabling the Department to continue the grant payments to NI Water for a further 3 years up to 31 March 2016 covering the costs of household water charges.
4. Consequently to the extent that this Bill is necessary to ensure that Northern Ireland households do not face separate water charges for the next three years the Coalition supports its enactment.
5. However it will be noted the Bill is literally a 'one liner' providing only for the extension of grant payment powers for a further three years. This leaves unaddressed the long outstanding matter of the future governance arrangements for NI Water which continues to exist under a legislative model designed for a private company. The DRD Assembly Committee may quite reasonably take the view that, at this stage, its remit is only to consider the Bill in front of it and not address the wider governance issues. Nevertheless the Coalition wishes to place the following key points on record.

6. First the Coalition cannot give any comfort to the failure of the NI Executive to address and resolve the governance issues long before now. As a Coalition we remain concerned about the lack of progress in constructing revised governance arrangements for NI Water that guarantee the principles set out in the next paragraph. The Coalition is also concerned that the absence of settled governance arrangements generates a serious risk that a future public funding crises could force implementation of new charges and privatisation.
7. Second the Coalition supported the last DRD Minister's statements to the NI Assembly on the principles that should underpin NI Water's governance arrangements viz
 - NI water and sewerage services should be delivered by a body clearly within the public service (and accountable to the people of Northern Ireland through the NI Assembly)
 - NI Water will not be privatised
 - No separate household water charges will be introduced.

There is no reason to depart from these principles. The Coalition would therefore submit that any proposals to change NI Water's governance arrangements should be consistent with the above principles.

8. Third previous Ministerial commitments were given that any proposals to change NI Water's governance arrangements would be subject to full public consultation. When the Minister briefed the Committee on 3 October 2012 he stated that he had circulated a paper to Executive colleagues, and he called for detailed discussions in "a mature way" about the future governance arrangements and, indeed, funding arrangements for NI Water. No one would disagree with having mature discussions on these matters. However to date there has been no engagement with external stakeholders on the content of this paper. The Coalition therefore calls for future governance arrangements to be addressed now in full consultation with stakeholders including the trade unions.
9. Fourth the Coalition further highlights particularly the importance of the governance arrangements meeting the principle of full transparency of all capital and revenue costs of NI Water. In addition the consultation must facilitate full public scrutiny of all the costs of NI Water and its relationship with NI public expenditure.
10. Lastly the Coalition appreciates that detailed consideration of particular models of governance would be a matter for the consultation process called for above. At this stage therefore the Coalition will limit its comments to the following. As well as advocating for the principles set out in paragraph 7 above, the Committee's attention is drawn again to the following points raised in the Coalition's submission earlier this year on the 2011-15 Programme for Government, viz :-
 - In response to NI Water's stated concerns that the current Treasury public expenditure rules limit NI Water's ability to plan and implement capital expenditure projects efficiently, the Coalition submitted that it should be possible for the NI Executive to secure any required derogations from public expenditure rules so that NI Water can maximise the effectiveness of the funding available for capital investments.
 - It had also been stated by NI Water that, if the public expenditure subsidy was less than 50%, this would enable NI Water to be more efficient in managing capital investment projects. In response to this the Coalition had reiterated the fact that households in Northern Ireland are contributing to water and sewerage costs through their regional rate payments, and, if these payments are taken into account, it may be that the 50% threshold of customer funding of NI Water already occurs.
 - And furthermore the Coalition submitted, that if the NI Executive is unable to secure the derogations proposed above, as an alternative, there should be further detailed examination of the options of restoring the practice of re-hypothecation of regional rates to identify the annual contribution by householders to the costs of water and sewerage services.

December 2012

Utility Regulator



From the office of the Chief Executive

Paul Carlisle
Regional Development Committee Clerk
Room 254
Parliament Buildings
Ballymiscaw
Stormont
BT4 3XX

Our Ref: W/007/RDC/SL/908

Date: 4 January 2013

Dear Paul

Re – Water and Sewerage Services (Amendment Bill)

Thank-you for your letter of the 29 November seeking the Utility Regulator's views on the Water and Sewerage Services (Amendment Bill) which commenced the committee stage on the 27 November 2012.

The Bill includes two amendments to legislation, the first dealing with an extension to the 'initial' period which allows a government subsidy to be paid in lieu of customer charges. The initial period referred to is currently 6 years and will expire on the 31 March 2013. If unchanged the payment of subsidy in lieu of household charges, to comply with the Executives current policy as stated in the Programme for Government 2011-15, would not be facilitated from 1st April 2014.

We therefore support the Amendment Bill in seeking to increase the initial period by an additional 3 years to 31 March 2016. This compliments our recently completed price control determination for the PC13 period, which assumes that subsidy will continue to be paid on behalf of customers up to 31 March 2015.

We assume the 31 March 2016 extension date is informed by the next Executive election timetable. While understanding this rationale, we are concerned by the uncertainty created regarding the funding of vital water and sewerage services from April 2016. You will be aware that we are currently progressing a longer, more strategic price control, 2016 to 2021 which is essential to ensure the development of a sustainable service which takes account of and balances social, environmental and economic factors.

Queens House, 14 Queen Street, BELFAST, BT1 6ED
T: +44 (0) 28 9031 1575 F: +44 (0) 28 9031 1740 W: www.uregni.gov.uk

We would urge the committee to encourage an informed debate and consultation on the future funding and governance of the water industry in NI. We understand the Minister has put a paper to the Executive on the long term governance and funding of NI Water and while not privy to its contents, would welcome its discussion by the Executive. We would be pleased to engage and further inform discussions as considered helpful by the Committee.

We also note the second amendment included within the Bill which requires the undertaker to register their intention to carry out certain works on private land in the statutory charges register. We fully support this measure which will make information about the NI Water's intention to lay a water pipe or sewer and its location more accessible and publicly available. We believe this further improves the transparency surrounding the work of the undertaker and one which will benefit private land owners.

Yours sincerely



Shane Lynch
Chief Executive

Cc J Aston



Northern Ireland
Assembly

Appendix 4

Memoranda and Papers from the Department for Regional Development

Presentation to Committee on Water & Sewerage Services Amendment Bill



Water and Sewerage Services (Amendment) Bill

Presentation to the
Committee for Regional Development

12 September 2012

OBJECTIVES



- To implement the Executive's commitment not to introduce additional household water charges in the current Programme for Government period.
- To streamline some administrative arrangements for delivering water and sewerage services.

BACKGROUND



- The Water and Sewerage Services (Northern Ireland) Order 2006 envisaged the full introduction of water charges.
- The Executive has decided not to introduce domestic water charges during the last Assembly mandate and the current one.
- Legislation is required to enable a subsidy to be paid in lieu of household water charges.

SUBSIDY EXTENSION



- In 2010, the Water and Sewerage Services (Amendment) Act (NI) extended the subsidy period to 31 March 2013.
- With Executive agreement, we now plan to extend this period by a further 3 years to 31 March 2016.

OTHER MEASURES



We also wish to take the opportunity to:

- Transfer responsibility for drinking water quality inspection and regulation to DOE;
- Simplify the requirements for water undertakers in relation to Water Resources Management Plans and Drought Plans; and
- Require notices regarding the laying of pipes to be registered on the statutory charges register.

WATER QUALITY REGULATION



- Responsibility for drinking water quality inspection and regulation is currently split between DOE and DRD.
- The Drinking Water Inspectorate (a small unit within DOE's NI Environment Agency) carries these functions out on behalf of both departments.
- We plan to simplify these arrangements by giving DOE sole responsibility for the regulation of drinking water quality.
- This transfer has been approved by both the DRD Minister and the DOE Minister.

SIMPLIFICATION OF PLANS



- Water undertakers (i.e. Ni Water) are currently required to publish separate Water Resources Management Plans and Drought Plans periodically.
- The present arrangements are quite prescriptive and onerous.
- We plan to simplify these arrangements by requiring water undertakers to produce a single Water Resources and Drought Management Plan in line with guidance to be issued by the Department.

STATUTORY CHARGES



- The Statutory Charges Register (maintained by Land Registers NI) records statutory restrictions on properties.
- At present, while NI Water is required to issue notices when it lays pipes and sewers in the property of other, this information is not required to be listed as a statutory charge.
- We plan to require these notices to be placed on the Statutory Charges Register for the reference of prospective property owners, solicitors etc.

Water & Sewerage Services (Amendment) Bill – Delegated Powers

CENTRAL MANAGEMENT BRANCH



Paul Carlisle
Clerk to the Committee for Regional Development
Committee Office
Room 254
Parliament Buildings
BELFAST
BT4 3XX

Room 413c
Clarence Court
10-18 Adelaide Street
Belfast BT2 8GB

Telephone: (028 905) 41140
Facsimile: (028 905) 40064
Email: alan.doherty@drdni.gov.uk

Your reference: DALO
Our reference: SUB/1051/2012

27 November 2012

Dear Paul

WATER & SEWERAGE SERVICES (AMENDMENT) BILL – DELEGATED POWERS

Normally at this stage in the Bill process we would expect to provide you with a Delegated Powers Memorandum which would set out any plans in the Bill to enable certain powers to be exercised through subordinate legislation. However, I am writing to confirm that the Water and Sewerage Services (Amendment) Bill does not contain any proposed delegated powers.

This letter is likely to be fully disclosable.

Yours sincerely



ALAN DOHERTY
Departmental Assembly Liaison Officer



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