



Northern Ireland  
Assembly

Committee for Regional Development

# OFFICIAL REPORT (Hansard)

Water and Sewerage Services Bill:  
Construction Employers Federation

7 October 2015

# NORTHERN IRELAND ASSEMBLY

## Committee for Regional Development

### Water and Sewerage Services Bill: Construction Employers Federation

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

Mr Trevor Clarke (Chairperson)  
Mr John Dallat  
Ms Claire Hanna  
Mr Chris Lyttle  
Mr Declan McAleer  
Mr David McNarry  
Mr Stephen Moutray  
Mr Cathal Ó hOisín

**Witnesses:**

Mr John Armstrong	Construction Employers Federation
Mr Jonathan Caughey	Construction Employers Federation
Mr Conor Mulligan	Construction Employers Federation
Mr Noel Young	Construction Employers Federation

**The Chairperson (Mr Clarke):** We welcome to the table Mr John Armstrong, managing director of the Construction Employers Federation (CEF); Jonathan Caughey, federation manager; Noel Young, manager of P Young and Sons Ltd; and Conor Mulligan, manager of Lagan Homes. I know we are in receipt of your written submission, John, but you may want to brief us on that.

**Mr John Armstrong (Construction Employers Federation):** Chair, you have given the introductions. Conor is the past chairman of our private housing committee, and Noel is our current chairman. Johnny is a colleague of mine in the federation. That just sets the context.

I will take a few minutes to give the setting for where we are. Very briefly, for those of you who are not aware, the Construction Employers Federation represents the interests of the construction industry in its totality, not just housebuilding, but, obviously, housebuilding is a vital element of that. We also believe that construction as a sector has a key and a fundamental role to play going forward in the regeneration, rebalancing and growth of the local economy. We believe that, in that context, housing and the provision of housing are absolutely vital, and what we are keen to get across as a fundamental message that underpins what we are talking about this morning is that we are simply not building enough houses in Northern Ireland. We are falling well behind the targets and the indicators, and there is a danger that we will create another housing bubble. That is the first thing. The second thing is that many of our housebuilding companies now find it more and more difficult to do business here because of the bureaucratic burdens that are being put on top of them.

That is a very brief preamble to this. I would be happy at the end to take any questions on that context. What I will do now, with your agreement, is hand over to my colleague, Johnny Caughey, who will talk us through our response to the first three clauses of the Bill.

**Mr Jonathan Caughey (Construction Employers Federation):** Thanks, John. I will take the clauses in order, beginning with clause 1, which is on the extension of the period for which grants to water and sewerage undertakers can be paid. Basically, CEF agrees with that decision to extend the subsidy by one year to enable Northern Ireland Water to continue to deliver the services until the new Assembly can consider the matter in relation to the water charges and funding of Northern Ireland Water. We also support the subordinate legislation. We think that is a fairly pragmatic approach, but it is our view that the introduction of domestic household water charges should be a priority for the next Executive.

Moving on to clause 2, which is on combining water resources management plans and drought plans, generally, again, we are supportive of that, given that it should reduce bureaucracy and the administrative burden on NI Water. Clause 3 is on the cessation of installing water meters when making domestic connections, and we note the anticipated cost saving, which I believe to be about £135,000 annually, to NI Water of ceasing this. Given the number of new meters being installed as the result of a new domestic connection, it will be only a very small percentage of the total number of meters that would need to be retrofitted if the decision is taken to introduce water charges and use meters to calculate those charges, so, generally, we are supportive of the decision at the minute to stop installing water meters.

My colleague Conor will take us through the next few clauses.

**Mr Conor Mulligan (Construction Employers Federation):** Clause 4 is about the sustainable drainage system commonly known as SuDS. To an extent, we welcome this. I am lucky enough to have operated here and in England, and we use this extensively in England. The difference is mainly that, in England, we are allowed to use soft SuDS, which is the open flooding of open space if required. It is a system of crates under the roads that, if required, will be adopted. Both systems will be adopted. They are relatively cheap and do the job well. Basically, they hold back water and stop it going into streams. They hold it back for an hour or so, and that is all that is needed for the surge to move on.

In Northern Ireland, Northern Ireland Water and Roads Service are insisting on concrete tanks or oversized pipes. On one of my sites, I have pipes underneath the road that men can walk upright in. A sprinkle of water goes through their feet, but they are massive 2 metre pipes. They have to close roads to get them in. They have to bring in the pipes on a Sunday. It is great for the concrete industry. It burns lots of CO2 to produce these, and I do not see how that is sustainable.

Although the concept of SuDS is welcome, the way it is being introduced in Northern Ireland means that it will be extremely expensive for us. On some of the sites that we have, it will cost on average about £50,000 an acre.

**The Chairperson (Mr Clarke):** How much an acre?

**Mr Mulligan:** It is about £50,000 an acre on one of the sites that I am on at the moment, which is one of the first that has been integrated this fully. That is basically because it is hard SuDS — heavy concrete SuDS. Think of them as big slurry tanks, buried under the ground that, once in a blue moon, will hold a lot of water back for an hour or two and then release it into the streams. If you look at Northern Ireland, you will find something like 3.5 million acres. When we are building, if we ever get up to 10,000 houses a year, we use roughly 1,000 acres a year. If you multiply that figure by 50,000, it will give you the money that we will spend doing this. I am sorry for getting technical, but that is 0.03% of Northern Ireland. In 100 years, we will have built new developments in this way on roughly 3% of Northern Ireland. At £50,000 an acre, we will spend £5 billion on holding back the water for an hour or two on 3% of the land. On the other 97% of the land, water will run at its normal rate. It is totally inefficient and will not make one iota of difference to the overall problems that are coming down on us.

The problems that we have in Northern Ireland are that we stopped cleaning the rivers and stopped upgrading the sewers about 30 years ago. The water simply cannot get away. It is the same amount of water falling out of the sky as fell 100 years ago; it is just not getting away.

I will move on to clause 5. The refusal of connection is the thing that worries me most. The infrastructure that has been put into Northern Ireland has been paid for by the taxpayers and our fathers and forefathers. It is built and paid for by the people and for the people. We are allowing this organisation — Northern Ireland Water — which will probably move into private ownership at some stage, to say, "No, we are not allowing you to connect to this if we do not like it". If Northern Ireland Water is sold at some stage, it is very unlikely that anyone in Northern Ireland will have ownership of it. It will perhaps be one of the vulture funds — Cerberus or something like it. Denis O'Brien, down South, may be the only one who is capable of buying this. We are going to allow it to say no to the development of land anywhere in Northern Ireland.

There is no point in zoning land or doing forward planning if we are going to allow a private individual to say no and hold to ransom the development of land going forward. Of all the things in the Bill, the one thing I want you to resist is the right of refusal. That cannot be allowed. At the moment, I can give you plenty of examples of where we are being charged up to a quarter of a million to connect 50 houses. That is more than the land is worth. We have been asked to pay for the design, which we have done, but we are not allowed to see the design or question the cost. We are just being held to ransom to connect to the network, which we have paid for with our taxes throughout the years. Whilst I agree that we should be separating the connections from combined sewers into separate ones, I do not believe that the whole cost of that should be passed on to the new house buyers.

Clause 6 is about the adoption of public sewers in private streets. A very small part of our development remains in private streets. Sometimes that is by choice, where roads want to be made private, and sometimes it is because a lot of our land is steep and the strict regulations for the adoption of roads do not allow roads of such steepness to be adopted. We are quite happy to build the sewers to the right standards, as we do. Northern Ireland Water is now proposing that we pay it an inspection fee and take out a bond on sewers in private streets that it will not adopt. I am quite happy to take out a bond on those sewers, but I want Northern Ireland Water to adopt them. If it is not going to adopt them, sorry, I do not want to be paying extortionate fees for it. It is just another fee-gathering process that it is going through. If it wants to adopt, that is fine; we will do everything it needs to adopt it.

That really concludes my bit.

**Mr Armstrong:** Chairman, that is our presentation, and we welcome any questions.

**The Chairperson (Mr Clarke):** OK, thank you. We will start in reverse and go to clause 6 first. I am interested, Conor, in what you said about extortionate fees. Could you expand on that? We were trying to tease this out with the Institute of Civil Engineers. Its membership expands across other parts of the UK. Are these extortionate fees happening just in Northern Ireland, or is it across the UK? You said in your opening remarks that you manage some stuff across the water as well. Can you give us a comparison?

**Mr Mulligan:** The best way to think about a security bond is as a cash deposit in case anything goes wrong with a sewer. It is calculated as a percentage of the estimated construction cost of the sewer. In England, for example, if I do £100,000-worth of sewer works in a road, you will send that into Anglian Water or whoever the local body is. It will value that, and on average it comes out at about £110,000, or 10% or 20% more, which is fine. It then charges a cash deposit or security of 10% of that. If I build a £100,000 road, I have to be prepared to put the equivalent of £10,000 or £12,000 into a safety deposit box as security in case anything goes wrong.

Let us look at the equivalent situation in Northern Ireland. If I build a £100,000 infrastructure, the local body will value it not according to the legislation or its own documentation, but on the basis of a catastrophic failure, which is the cost of digging it all out and reinstalling it. The valuation for that could be two or three times the cost of the construction work. Unlike in England, where they charge a 10% cash deposit, there will be a charge of 40% of something that is double or treble the price. In England, a builder has to put £10,000 aside for a £100,000 infrastructure, but the equivalent builder in Northern Ireland has to build the £100,000 infrastructure, which is fine, but maybe has to put £80,000 or £100,000 in a safety deposit box as security. The builder here is being penalised unfairly compared with those in the rest of the UK. Also, there are examples of this in the UK —

**The Chairperson (Mr Clarke):** Can you provide the Committee with working examples of that?

**Mr Mulligan:** I can give you bonds, yes.

**The Chairperson (Mr Clarke):** You are making a comment today about extortionate fees, which relate to clause 6, but we need to get information about that.

**Mr Mulligan:** If I could explain the fee bit. Northern Ireland Water is allowed 2.5% of the bond amount. In England, for example, it would get 2% of the £100,000 or the £110,000 construction cost, but because in Northern Ireland it inflates the cost, it will get 2% of the £200,000 or £300,000. That equates to about 8%, which it charges for the inspection and processing of the bond. It does not inspect on site the way it used to. Years ago, you could not backfill any of the sewers until an engineer from Northern Ireland Water supervised that, but that does not happen anymore.

**The Chairperson (Mr Clarke):** I wondered about what you were saying about a "catastrophic failure". I assumed that Northern Ireland Water would do an inspection while you were laying pipes. Are you saying that you lay pipes and Northern Ireland Water comes at a later date?

**Mr Mulligan:** It comes at a later date, and we put a CCTV video into the system. It also opens the manholes and inspects them.

**The Chairperson (Mr Clarke):** How does that work in England?

**Mr Mulligan:** It is similar, but there are more inspections on site.

**Mr Armstrong:** We would be happy to provide the Committee with a written submission on this if that is appropriate.

**The Chairperson (Mr Clarke):** That would be useful. We were using phrases like "extortionate fees" when we were talking about this. If we are talking about extortionate fees, we need to examine why that is and if it fits in the context of the Bill. We are talking clause 6. We were talking about connections, and you are talking about the fee structure. It is important that we as a Committee get our head around the differences between here and other parts of the UK and, indeed, Ireland, if there are any differences there. I am not averse to looking anywhere, but we need to make sure that there is parity in these issues and that people will not be disadvantaged. At the same time, we are not going to agree with everything that everyone says. This region of the UK should not be disadvantaging the construction industry. That slightly worries me.

**Mr Armstrong:** That is our principal concern: that it is, in effect, driving housebuilders away from here at a time when we need more houses built.

**The Chairperson (Mr Clarke):** I do not think any of us would disagree with that.

I am a wee bit intrigued. I may have read this wrong. You gave an example of a private street. Even if you provide that sewer, is it the case that Northern Ireland Water will not adopt it at all?

**Mr Mulligan:** At the moment, the roads in parts of a development that remain private are not adopted by DRD's roads division and the sewers are not adopted by Northern Ireland Water if they are in what is termed a private street. There have been well-publicised issues over that where there has been no bond to cover it. Northern Ireland Water suggests that we should take out a bond on private streets, but it does not want to adopt them. What we are saying is that we are happy to take out a bond but only if it will adopt and maintain them. Otherwise, it is just a fee-generation exercise — nothing else.

**The Chairperson (Mr Clarke):** Your paper does not go into an awful lot of detail on that, John. Maybe we could get a wee bit more detail on that particular issue.

In your opening remarks, someone made reference to soft SuDS. At the moment, the Committee is of the view that it will explore making an amendment to the Bill to include soft SuDS. I think that many of us around the table cannot see why they have not been included in the first instance. At the minute, the Committee is looking at that to see whether, going forward, it may consider making an amendment if the Department is not minded to do so itself.

**Mr McNarry:** You are very welcome, gentlemen. John, I welcome and agree with your opening comment that we need to build more houses. I am very supportive of that. Let us see what we can do in this place to get that moving.

We have a problem whereby we are — or I am — a bit concerned about the level of expertise on SuDS. Are you able to identify experts — apart from you, I take it — in this field of SuDS that really fit the title of "experts"?

**Mr Armstrong:** Yes. I think that you referred to the Institution of Civil Engineers, which gave evidence this morning. We work closely with it. I think it has a significant amount of expertise on that from a technical perspective. I do not know what it offered or suggested when it was here.

**Mr McNarry:** We have bought in to them now. I am acting as their consultant. *[Laughter.]* On the point about refusal of connections, do you see that ending up in the courts?

**Mr Mulligan:** If we allow it into legislation, I do not see where it can go. It will be enshrined in the legislation. If the infrastructure body moves into private ownership, it will be able to rely on that.

**Mr McNarry:** On the strength of your evidence, which was very strong — it is up to the Committee to see just where we go with it — and on the basis of it being enshrined in legislation, what do you do?

**Mr Mulligan:** You either build somewhere else where it is not enshrined, or you pay whatever the ransom cost will be.

**Mr McNarry:** Is it as big as that?

**Mr Mulligan:** I believe so.

**Mr McNarry:** Is that your opinion, too, Noel?

**Mr Noel Young (Construction Employers Federation):** That would be my opinion. Essentially, you put a black mark over the area of land because you cannot have access to sewerage. There have been some cases across the water where there has been an absolute right to connect to a public sewer, and there have been a couple of cases that have gone to the Supreme Court. They have established that that absolute right exists, that it is the sewerage provider's job to provide sewerage up to the standard and that if you wish to maintain and retain the sewers in your own development privately, you are entitled to do that. The difficulty with this is that if Northern Ireland Water decides that the sewers do not meet its specification, it can stop you having a connection. That is something that —

**The Chairperson (Mr Clarke):** Can I just interject there? You talked about specification. Sorry, David. Would the specification not be agreed at planning stage?

**Mr Young:** Not necessarily, Chair. No.

**The Chairperson (Mr Clarke):** Why not?

**Mr Young:** Because in the instance that we are talking about, it would be a private roadway that would remain private. Essentially, what Northern Ireland Water would be saying is that no sewer would be allowed to be connected unless it was adopted by it.

**Mr McNarry:** It is a monopoly situation. You also made this point, and I do not want to delve too deeply into it, but with the possibility of Northern Ireland Water going private, how significant would that difference be?

**Mr Mulligan:** The way I look at it is that, at the moment, Northern Ireland's infrastructure was supplied and paid for by the people through taxes; it was paid for by the people for the people. If we move that into private ownership and allow it the right to refuse service, it can charge a price to connect to what was a public service.

**Mr McNarry:** You have introduced a massive subject to the Committee, certainly at this stage. Can I ask what discussions you have had with the Department on the issue?

**Mr Mulligan:** Over the last four or five years, we have had discussions with Northern Ireland Water directly. I have to say that we have not got very far with that. We have spoken. John, maybe you can —

**Mr McNarry:** This is not a Northern Ireland Water Bill; this is a departmental Bill and will become an Assembly Bill. Have you had any discussions or are you in the process of having discussions with the Department about this?

**Mr Armstrong:** Yes, we are. As Conor said, we have had detailed discussions with the Department over the last number of years. Relationships are very cordial. However, we have found it very difficult to get clarity on its processes. There is no question about that.

**Mr McNarry:** We fully understand that — do not worry.

**Mr Armstrong:** Last night, we met the permanent secretary of the Department for Regional Development and expressed our concerns to him about a number of these issues, particularly the ability to get to the bottom of issues with Northern Ireland Water.

**Mr McNarry:** I would find it helpful — I am sure that the Committee would, too — if you could expand on your comments about the refusal and, without betraying any confidences, keep us apprised of those discussions. If this is a lockout, we need to look at it as quickly as possible.

Finally, your written submission states that the majority of private houses in Northern Ireland are built by small, family-run businesses. I concur with that. In my constituency of Strangford, part of the social economy is the small builder etc. You claim:

*"As a direct result of NI Water's policy of charging for sewer bonds and inspection fees at grossly inflated prices".*

"Grossly inflated prices" is a challenging term. What would be an appropriate price for it to charge?

**Mr Mulligan:** We do not have an issue with the 2.5% that is common across the UK. That is fine. It is based on the estimated cost of construction, and, as far as we can see, the rest of the UK is there or thereabouts. If it costs £100,000, for example, to put in the infrastructure, the estimate might come back at £110,000 or £120,000. I do not have a problem with that, but Northern Ireland Water will come back at two or more times that. It uses the term "catastrophic failure", which goes against what is in the legislation and means not only the cost of construction but digging up all the existing road, taking our work out and putting in something new. As you can see, that can easily double the price. The 2.5% is based on that, which turns it very quickly into 5% or 6%.

**The Chairperson (Mr Clarke):** May I interject again? David, I know that you have keyed into this issue. Would it be useful, members, to request a research paper on a comparison of here and other regions? We are hearing something a bit alarming about the construction industry in Northern Ireland. If members are content, we will ask for a research paper on that.

**Mr Armstrong:** That would be very welcome. We have done some research over the last number of years comparing costs with water boards across the UK, but there is always the argument, "Well, you would say that, wouldn't you?". Separate research requested by the Committee would be very welcome.

**The Chairperson (Mr Clarke):** We have heard some inflammatory words today. If those are the words that need to be used, I have no issue with that. However, we are being recorded for Hansard and need to be sure that the evidence that we take can be backed up. If members are content, we will ask the Assembly's researchers to look into that.

**Mr Armstrong:** May I make a brief comment? You talk about us using inflammatory words, but it is not deliberate.

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

**Mr Armstrong:** Where we are coming from goes back to my initial point, which David affirmed: the need for us to be building more houses for our people. Otherwise, we will have big problems in a few years.

**The Chairperson (Mr Clarke):** John, I agree with you, and I have no issue with you using inflammatory words. All I am saying is that, because we are being recorded for Hansard and because we are doing this work, we need to be sure that we can back up what we have heard so that we can have confidence in everything that has been said. The research will be independent, so it may be useful.

**Mr McNarry:** I am pleased to hear other people using inflammatory words. It certainly takes the heat off me, so well done on that.

We all agree that there is a need to get your industry back to work and build more homes. Have you identified anything in the Bill that would impact building the affordable homes that we are all after? Will the Bill increase costs and therefore dramatically increase the price of houses beyond what we would expect? Are there any hidden traps? You are the guys who will deliver. The market will decide whether it will buy. Based on all the evidence, is there anything in the Bill that will add unnecessary costs in certain situations?

**Mr Mulligan:** The hard SuDS are the most expensive. They are, basically, concrete tanks. I do not think that it is particularly economical or friendly to the environment to do it that way. The cost is about £50,000 an acre, which, if you are building 10 houses to an acre, works out at £5,000 a house.

There is also the overall bond. The recycling of bonds here in Northern Ireland is an awful problem. I build a similar number of houses in other parts of the UK, and I have a fraction of the bond exposure there because, basically, I can get them released. In Northern Ireland, since NI Water became a Go-co, getting the release of bonds from it and DRD has been a major problem. It is not the financial impact, because it is not an awful lot more cash, but it restricts our facilities, and that has a multiplier effect, particularly for smaller builders who do not have the facilities that I have. We find that the amount of money tied up in Northern Ireland is disproportionate to the amount tied up in the rest of the United Kingdom. There is no real need for that; it is just that they want to hold on to the bonds and not release them, even when we have all the work done and there is very little —

**Mr McNarry:** I have a question relating to the market. We have been through a boom and bust period, and you must have suffered as much as the public did. In my constituency, a number of good friends suffered as well. When it comes to lifting the market, I take it that you are ready to go in real terms. Is there anything in the Bill that could be detrimental to the market?

**Mr Mulligan:** Absolutely.

**Mr McNarry:** I am asking the same question, but I am asking it now for the consumer.

**Mr Mulligan:** Absolutely. It is the delay in getting houses. We now have to wait for bonds, particularly on private streets, and we question the ability of bondsmen to support this. All these changes are pushing the bondsmen further away, and they are saying that they do not want to do work in Northern Ireland if this continues. They would rather issue a fraction of the bonds in England and get them back more quickly. We have —

**Mr McNarry:** Hold on. That is something that I have not heard. Chairman, maybe we need a wee bit of expansion on that.

**The Chairperson (Mr Clarke):** You referred to bondsmen. Do they have a body that represents them?

**Mr Armstrong:** No, they do not, but we liaise very closely with bond providers throughout the UK. There are relatively few of them, and most are based in London. The National House Building Council (NHBC) provided a level of bonds. As Conor said —

**Mr McNarry:** They are the risk-takers, the guys who are going to decide —



**The Chairperson (Mr Clarke):** To take that forward, John, will you forward to Committee staff a list of those bond companies?

**Mr Armstrong:** We will certainly give you the details of the ones that we have knowledge of.

**The Chairperson (Mr Clarke):** It would be useful if the Committee could liaise directly with them to try to —

**Mr Armstrong:** Absolutely. The point that I was going to make was that the number of people providing bonds and prepared to provide bonds in Northern Ireland is, as Conor said, shrinking. At a time when there are more and more demands for bonds at increasing levels, this is a big issue.

**The Chairperson (Mr Clarke):** John, I should explain that the reason why we want to contact them directly is to get their experience from the rest of the UK and Northern Ireland. I think that we need that.

**Mr McNarry:** In your experience and as this is being detailed in Hansard, is it fair to say that you have a concern that there could be inhibitions about developing the market that we all want to develop because people will not take risks due to the restraints that will be put on an individual builder or developer?

**Mr Armstrong:** Absolutely. Housebuilders — I think that Conor would be one of them — say to us all the time now that it is no longer worth building houses in Northern Ireland because the bureaucracy and costs that we are talking about this morning are such that it is easier to build in other jurisdictions. That is a concern.

**Mr McNarry:** On the basis, John, that you would say that — I know because I have played cards with you, and you are hopeless — we need to get that message out because what is being said is quite amazing.

**Mr Young:** We would like to explore it as well. There is a possibility that areas of land will not be able to be brought in for development. It has been said to us by Northern Ireland Water directly that there are areas of infrastructure, such as sewage treatment works, that are not up to specification and need money spent on them. If the money is not spent, Northern Ireland Water may be minded to say to a developer, "Sorry. We are not going to allow you to connect and put any more load on that station".

**The Chairperson (Mr Clarke):** Did you get that verbally, Noel, or do you have it in writing?

**Mr Young:** It was during meetings at the CEF, so we should have that.

**The Chairperson (Mr Clarke):** Will you forward us a copy? It would be useful to see that.

**Mr Young:** We may even have a map of the areas where underfunded —

**The Chairperson (Mr Clarke):** Basically, you say that NI Water is closing development in certain areas of Northern Ireland because it does not have the infrastructure in place or is not prepared to provide the infrastructure.

**Mr Armstrong:** Yes, our understanding — I stress the word "understanding" — is that some 70 waste water treatment facilities across the North are close to capacity. If they get to capacity, the obvious danger is that development in those areas will stop. We are mapping that, but it is a major concern. We had a situation like this in 2005. It was for similar but different reasons, and, at that stage, it was European infraction charges that drove Northern Ireland Water to rectify the situation. We understand that, of those 70 sewage treatment plants, funding is available to bring only 13 up to standard.

**Mr McNarry:** We were told that, too. As far as European infractions are concerned, it is clean. We need to develop the situation as it is now, if it is positive, to get through these quagmires.

**Mr Young:** I will follow up on the point that we were making: the impact on the consumer will be, potentially, that Northern Ireland Water says that a station is not up to standard but that, if you are

prepared to pay £100,000 or £1 million or whatever it might cost to bring up to standard, it will quite happily take that into the public asset.

**Mr McNarry:** They always blackmail us on that.

**The Chairperson (Mr Clarke):** Noel, does that work in the same way as with other utilities so that, if someone comes behind that, you will get some of that money back?

**Mr Young:** No. Ultimately, you have to try to work that into the price of the house because the person buying a house, whether it is one of 25 houses, 55 houses or whatever, is ultimately paying for that specific piece of infrastructure to be brought in, if it works. If the cost to bring in infrastructure that is demanded in, for example, planning requirements is too much, the result is that the area is not developed because, ultimately, these are companies that are required to have a margin for their shareholders.

**Mr McNarry:** You have made representations along those lines to the Department, so what it will read in Hansard — what has been given here in evidence — will come as absolutely no surprise to it. You have been talking to the Department for five years.

**Mr Armstrong:** We have been talking to Northern Ireland Water and the Department, but primarily Northern Ireland Water.

**Mr McNarry:** Same thing.

**Mr Armstrong:** The discussions have been primarily through our private housing committee.

**Mr Mulligan:** This paper is the first time that we have seen it request the right to refuse. That came up only in consultation.

**The Chairperson (Mr Clarke):** Effectively, that makes it worse, of course.

**Mr Mulligan:** Of course. This is all about risk. We invest private money in developing land. The risk was always getting planning permission. Whilst it takes longer here, you are fairly sure that the land is zoned and that, if you comply with the requirements, you will get planning permission, so the risk should be neutral. However, even after you have planning permission, you have bought your land and you have funding, you can be told later that you cannot develop. That is a risk that I am not prepared to take, and I do not think that any banks or punters would.

**Mr McNarry:** Is it not possible to ascertain that information before purchasing land? Is that not on?

**Mr Mulligan:** No.

**Mr McNarry:** Maybe it would put the price up

**Mr Mulligan:** Northern Ireland Water is a consultee to planning applications, but, generally, the reply that it submits is, "No service available. Please contact Northern Ireland Water". It can take up to six months or even 18 months after approval to get an article 161 to know that you will be connected. To me, that is an unacceptable risk.

**The Chairperson (Mr Clarke):** Members, for your information, NI Water and DRD will be here next week. It will be useful to bear that in mind when consulting them next week. David, are you finished?

**Mr McNarry:** Yes. Thank you very much. That was very helpful.

**Mr Ó hOisín:** Many of us are aware of developments that have been held up because of an infrastructure issue. At the end of the day, the cost is being passed on to Joe Public, who is buying the house. It should be a big concern for a lot of us. It is not even a capacity issue. I have seen areas that still had the capacity to take development, but no future-proofing would be involved. That is the issue, so we certainly should run with this

**Mr Lyttle:** Thanks for your presentation, gentlemen. It has been extremely helpful and startling and given us a serious body of work to do to get across more detail. If my understanding is right, you are telling us that we are not building enough houses and that bureaucracy in housebuilding and lack of capacity in some water and sewerage services are going so far as to create potential black spots for housebuilding in Northern Ireland or, at the very least, making neighbouring jurisdictions much more appealing to housebuilders. Also, if we take only a hard engineering approach to SuDS rather than including a soft engineering approach, it could require as much as £5 billion to treat only 3% of our land.

**Mr Mulligan:** Over the next 100 years.

**Mr Lyttle:** Right. OK. We have some serious work to do on all of those issues.

**Mr Armstrong:** Chris, may I put a quantum on the housing needed in Northern Ireland? Forgive me if I go over ground that you are familiar with. The government-established housing growth indicators suggest that we should be building 11,300 houses per year. Of that number, some 2,000 would be social houses. There is no doubt that those figures will be revised, probably downward. However, if we make the basic assumption that the total housing stock in Northern Ireland is about 730,000 units and we should be replacing 1% of those a year, just to make up for natural wastage, we should still be building about 7,000 houses a year. Last year, Land and Property Services completion figures indicated that we completed about 5,200 or 5,300 units.

Let me take it back to the more fundamental point: the housebuilding and construction industry provides a unique dynamic multiplier for the economy, and that, fundamentally, is where we are coming from. We want it to grow, and we want to provide employment opportunities for all our people. Sorry, I did not mean to ramble, but it is important to say that.

**Mr Lyttle:** Chair, I will try to frame this in a way that avoids us disagreeing again, although, in fairness, that rarely happens. Finance will be required to respond to those challenges. Your response to clause 1 states:

*"CEF agrees with the decision to extend the subsidy to NI Water by one year ... however it is CEF's view that the introduction of domestic household water charges should be a priority for the next Executive".*

How would you respond to someone in the shoes of a consumer — a member of the public — who is adamantly against the introduction of domestic water charges? Can you tell them why that is a priority?

**Mr Armstrong:** We can certainly try to make the case. It is absolutely clear and we understand fully that there is resistance from any consumer to additional charges. We have seen that in the Irish Republic over the past year or two, and we understand fully why political parties are reticent on this. However, we have to face reality in Northern Ireland: our budgets are very restricted.

Bringing it back to Northern Ireland Water, my understanding is that the failure to introduce water charging is resulting in a hole in the block grant of something like £300 million to £400 million a year. That £300 million to £400 million could, of course, be spent on water infrastructure, but perhaps also on our hospitals, schools delivering social housing and whatever. It is about that positive message: yes, bringing in water charging means paying a little more, but here are the benefits. Those messages have to be got across a lot more clearly. I think that the business community is almost united in its view on that.

**Mr McNarry:** Is the business community organising a political party somewhere down the line? It would not get voted in on that policy.

**Mr Armstrong:** I understand that difficulty. Of course we understand that.

**Mr Young:** There is also Northern Ireland Water's ability to raise money to put into infrastructure. We can check the detail on that, but it is something like this: if it had 51% of the income from water charges to the public, it could go to the market, to general commercial banks and borrow money in the long term to build that infrastructure — the stations on which serious work is needed. It cannot do that at the moment. It relies on the grant, and the grant is not going to do it.

**The Chairperson (Mr Clarke):** There is another way of looking at this, Noel. The developers could still provide the infrastructure, as long as those coming behind it paid the developer for the cost. We are quick to say, "Let the consumer pay for everything and the developer make the huge profits". I am saying that, instead of the way that it is at the moment, which is that you provide the infrastructure and do not get your investment back, you provide the infrastructure, but everyone who connects after that pays you back for their connections. That is what Power NI does. That is a win-win. The infrastructure has been upgraded. The developers had to pay for it because of this black hole, but, after that, payment for all the connections means that the developer gets his investment back. Bear it in mind that people in all the houses that you have built pay rates, which means more money going back into NI Water anyway.

**Mr Young:** That is an example that we use now and again. We are, to some extent, connecting fee-paying customers to the rates that are generated. An individual who pays rates and taxes is entitled to as much recovery from that as a guy who buys a second-hand home built a few years ago and is not hit for all that extra cost.

**The Chairperson (Mr Clarke):** It is hard that it hits the consumer only. In that model, the consumer will be hit twice: the charges will increase, and he will still be paying rates. If, however, the developer of the black hole has to pay, he should be reimbursed on connection because he has provided the infrastructure for a utility.

**Mr Dallat:** Thank you very much for your presentation, which I found very helpful. The bond issue, of course, has plagued the industry for generations and generations. In your introduction, you said, if I am paraphrasing you correctly, that it was just a cash-collecting exercise and there was no opportunity for the bond provider to pass on the risk to NI Water or whatever. I hope that I got that right. Is that what you said?

**Mr Mulligan:** No. I referred to private streets and said that Northern Ireland Water now wants us to take out a bond on sewers that it will not adopt. I was saying that, in that case —

**Mr Dallat:** At any stage in the future

**Mr Mulligan:** You pay Northern Ireland Water a fee, but it will not adopt. I do not see the point. We would gladly take out a bond if Northern Ireland Water was going to adopt the sewer and look after it.

**Mr Dallat:** Sorry, I may have confused you. That is exactly as I understand it: a bond is a temporary arrangement that covers the risk until somebody takes responsibility, ultimately.

**Mr Mulligan:** Yes.

**Mr Dallat:** Are you saying to the Committee that NIW does not want to do that?

**Mr Mulligan:** I have to point out a difference. The majority of development sites are eventually adopted. Some parts of a site remain private, such as is the case in little private cul-de-sacs, if there are fewer than five houses or if it is a *[Inaudible.]* site. Normally, we do not take out a bond on that because it remains in private ownership. Northern Ireland Water is suggesting, through the Bill, that we take out a bond on that but refuses to adopt it. I am saying, "Yes, we can take a bond, but Northern Ireland Water must also adopt it".

**The Chairperson (Mr Clarke):** They basically want to have their cake and eat it.

**Mr Mulligan:** Basically, yes.

**Mr Young:** That is to facilitate the connection into the mains system.

**Mr Dallat:** How can that be provided for in the Bill?

**Mr Mulligan:** I do not think that Northern Ireland Water should charge a bond on streets that remain private, unless they are adopting; it should adopt the private parts of the streets. It is in everybody's interest that it adopts.

**Mr Dallat:** I imagine that you would find that there is total agreement on that.

**The Chairperson (Mr Clarke):** It should go further, of course. I think you should be taking the top coat as well.

**Mr Mulligan:** That would be Roads Service.

**The Chairperson (Mr Clarke):** Yes, but that is the same thing for consumers or constituents who live in private streets that Roads Service will not adopt when developers become defunct.

**Mr Mulligan:** The industry will offer no resistance to that.

**Mr Dallat:** I have one more question on the same subject. John, did I pick up that you have been in discussions with NIW for several years on this issue?

**Mr Armstrong:** Yes, we have, through our committee. For two or three years, let us say, we have been in discussions to try to get clarity, particularly on the calculation that it uses on the bond. We have done our own research, as I said, looking at the processes in England. On the surface, as Conor clearly laid out, it appears that all of the water authorities there are significantly different from Northern Ireland Water.

**Mr Mulligan:** Northern Ireland Water will not disclose how it calculates the bond amount.

**The Chairperson (Mr Clarke):** It will not.

**Mr Mulligan:** No. We have been to the regulator about that, and we still cannot get clarity on it.

**The Chairperson (Mr Clarke):** Is the Committee content that we ask for that?

*Members indicated assent.*

**Mr Dallat:** My memory is not great. Is that an issue that the Committee was aware of, was ever told about or was ever invited to have an opinion on?

**The Committee Clerk:** The Committee considered the issue of sewer bonds during the inquiry into unadopted roads.

**Mr Dallat:** I can understand that, but were we aware that there was prolonged discussion covering several years with the Construction Employers Federation?

**The Committee Clerk:** To be fair, our inquiry was in 2012, which coincides with the start of the period that the CEF referred to.

**Mr Dallat:** Chair, it is an absolute disgrace that we are hearing only today that something as fundamental as this has been in discussion for years. If Northern Ireland Water had come to the Committee, we could have told it to find a solution. What it has been arguing for is just not practical — it is not realistic.

**The Chairperson (Mr Clarke):** John, has your conversation with NI Water been at meetings or in written form?

**Mr Armstrong:** At meetings and in written form. It is part of an ongoing liaison. The federation works on the basis of working with all Departments to improve processes, and so on. There have been meetings and, in certain instances, communication in written format.

**The Chairperson (Mr Clarke):** It has not been very productive, just the same.

**Mr Armstrong:** It has been frustrating, let us put it that way.

**The Chairperson (Mr Clarke):** Will you get us a copy of time frames and the names of people whom you have been speaking to in the organisations?

**Mr Armstrong:** Will do.

**The Chairperson (Mr Clarke):** The Committee really needs to get its head around this. We are all alarmed that this has been going on for so long and there is no resolution. This is also about jobs for many people in our areas.

**Mr Dallat:** It is about jobs and houses, Chairperson. It seems to me — I choose my words carefully — that we are being treated like mushrooms: kept in the dark and fed on fertiliser.

**The Chairperson (Mr Clarke):** "Fertiliser" will do OK.

Members have no further questions. John, you have created an awful lot of work for us that we were not anticipating, but we welcome the fact that you come here and tell it as it is. We are disappointed to learn some of the things that we have learned today. The Committee now has a job of work to do in order to get to the bottom of this and how it relates to the Bill. We thank you for your time and your presentation. The Clerk or Committee staff may be in contact with you, looking for further information in relation to your presentation today.

**Mr Armstrong:** Thank you. We are happy to provide any information that we can. I have made a list of your requests and will deal with them constructively.