

CONFIDENTIAL

Note of Minister's Meeting with Minister Pearson to discuss the Future Financing and Structure of Water Service 18 November 2002

Present: Mrs Angela Smith, MP (Minister)
Mr Stephen Quinn (Permanent Secretary)
Mr Robin Mussen (Water Service)
Mrs Jackie Kerr (Infrastructure Funding Division)
Mr Eamon Deeny (Information Officer)
Mr Stewart Matthews (Departmental PS/Minister - Acting) } DRD

Mr Ian Pearson, MP (Minister)
Mr Pat Carvill (Permanent Secretary)
Dr Andrew McCormick (Permanent Secretary)
Mr David Thomson (Treasury Officer of Accounts)
Mr Maurice Rooney (Departmental PS/Minister) } DFP

Mr Will Haire (Permanent Secretary)
Mr Eugene Rooney (Economic Policy Unit) } OFMDFM

Ms Teresa Hewitt (Travelling PS/Angela Smith)
Miss Emma Croot (Travelling PS/Ian Pearson)

1. Minister Smith opened the meeting by outlining the two decisions that need to be taken on:
(i) whether to make a commitment to Water Service becoming self-financing (as sought in the letter from Paul Boateng); and
(ii) the need for structural reform.
She also stressed that the other main objective of the meeting was to consider how to progress these issues.
2. Ministers Smith and Pearson recommended that a qualified commitment (to self-financing) should be given stating that substantial progress will be made by April 2006 but that no guarantee could be given that Water Service would be completely self-financing by this date.
3. Minister Pearson noted that it will be important to attract talented people with significant management expertise to take forward the structural reform. Mr Quinn proposed that an inter-Departmental Steering Group (consisting of representatives from DRD, DFP and EPU with, possibly, some external inputs) be established to address the Project Planning requirements.
4. Ministers Smith and Pearson agreed to this proposal and requested that DRD bring forward recommendations regarding the membership, Terms of Reference and outline timetable of the work for the Steering Group. **(ACTION: Mr Quinn)**

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5. Dr McCormick commented that a clear handling plan is required before the Budget in December. Mr Quinn said that the period leading up to the Budget Statement represented a good opportunity to take some of the main issues into the public arena, both in terms of Water Charging and Structural Reform. Both Ministers agreed that it will be vital not to discuss any prospect of water charges in isolation from reform plans for Water Service. It was also agreed that any statements should not overshadow the good news to be announced in the Budget. Officials are to make recommendations to Ministers with regard to media handling on this issue. **(ACTION: DRD / DFP / EPU / Information Services)**
6. Mr Quinn commented that thought needs to be given to the content of the future consultation paper on the proposed changes. Ministers Smith and Pearson agreed that the consultation will need to address both the future financing and structural options for Water Service.

Stewart Matthews