

Kelly, Patricia

From: Willoughby, Mairead
Sent: 03 December 2002 11:10
To: Willoughby, Mairead; Private Office, DRD; Quinn, Stephen; Sweeney, Paul; Martin, Robert (Chief Executive); McGibbon, Jack; Deeny, Eamon; 'nigel.hamilton@ofmdfmni.gov.uk'; 'pauline.boyle@ofmdfmni.gov.uk'; 'perm.sec@dfpni.gov.uk'; Andrew McCormick; 'rosalie.flanagan@ofmdfmni.gov.uk'; 'stephen.grimason@ofmdfmni.gov.uk'; 'robert.hannigan@nio.x.gsi.gov.uk'; 'david.thomson@dfpni.gov.uk'; 'Eugene.Rooney@ofmdfmni.gov.uk'
Cc: Stewart, Claire; Boyd, Lynda; Keenan, Joanne; Kelly, Patricia; 'catherine.ferguson@dfpni.gov.uk'; Jill Downie; Hinds, Sandra
Subject: RE: Water Service Investment Need

"DFP have suggested some amendments to the notes to editors of the press release for tomorrow's event. A revised draft with tracked changes is attached. Please use this revised version."

Jackie



IFD-JK-02-00519 -
Annex A - An...

Mairead Willoughby
PS/Jackie Kerr

-----Original Message-----

From: Willoughby, Mairead
Sent: 02 December 2002 15:37
To: Private Office, DRD; Quinn, Stephen; Sweeney, Paul; Martin, Robert (Chief Executive); McGibbon, Jack; Deeny, Eamon; 'nigel.hamilton@ofmdfmni.gov.uk'; 'pauline.boyle@ofmdfmni.gov.uk'; 'perm.sec@dfpni.gov.uk'; Andrew McCormick; 'rosalie.flanagan@ofmdfmni.gov.uk'; 'stephen.grimason@ofmdfmni.gov.uk'; 'robert.hannigan@nio.x.gsi.gov.uk'; 'david.thomson@dfpni.gov.uk'; 'Eugene.Rooney@ofmdfmni.gov.uk'
Cc: Stewart, Claire; Boyd, Lynda; Keenan, Joanne; Kelly, Patricia; 'catherine.ferguson@dfpni.gov.uk'; Jill Downie; Hinds, Sandra
Subject: Water Service Investment Need

Please find attachments from Jackie Kerr.

<< File: IFD-JK-02-00529 - Memo - Angela Smith - Water Service Investment Needs - 2 Dec 02.doc >> << File: IFD-JK-02-00519 - Annex A - Angela Smith launch event1.doc >> << File: IFD-JK-02-00523 - Annex B - Minister Angela Smith's Speech on Water and Sewerage Services on 4 Dec - 29 Nov 02.doc >> << File: IFD-JK-02-00528 - Annex C - Q A Wastewater Heritage Centre on 4 Dec 02.doc >> << File: IFD-JK-02-00526 - Annex D - Water Service Investment Needs - media plan2.doc >> << File: IFD-JK-02-00527 - Annex E - Draft memo to Water Service Staff.doc >>

Mairead Willoughby
PS/Jackie Kerr

DRAFT PRESS RELEASE – REVISED 1 DECEMBER 2002

MINISTER STRESSES NEED FOR MASSIVE INVESTMENT IN WATER AND SEWERAGE SERVICES

Parliamentary Under Secretary of State Angela Smith MP today warned that failure to massively increase investment in Northern Ireland's water and sewerage infrastructure could have serious implications in the future.

Speaking at the Belfast Waste Water Heritage Centre, she said that £3 billion must be invested during the next 20 years if the Northern Ireland public and business community are to continue to enjoy safe, reliable and quality water and sewerage services.

She said: **“That level of investment is required if we are to obtain the public health, economic and environmental benefits of higher water quality and more effective wastewater treatment and to address the legal obligations placed on us by the European Union.**

“Clean drinking water and effective sewerage systems are aspects of 21st century life that we take for granted. Yet only two years ago, over 100,000 people in greater Belfast area were forced to boil their water due to the presence of a microscopic parasite, Cyptosporidium, in the water supplies.

“Investment in water treatment processes and improvements in the condition of the pipe network can help minimise the risk of such distressing events happening in the future.”

The Minister said that investment has and will continue to be made in water treatment works but said that large parts of the watermain network are old and need to be

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replaced. Average leakage levels stand at 37% of treated water supplies, arising from the condition of the ageing pipe network. The Minister said:

“For every glass of treated water, nearly half of that amount again is lost through leaking pipes.”

The Minister stressed the importance of the water and sewerage network to the economy, saying that the demands placed on the water and sewerage system are growing steadily as housing development expands at a rate of 10,000 new houses each year and as the economy and business sector grows.

She said: **“ We need significant new investment to ensure that we can fully meet the demand for water, which continues to grow each year. Recent difficulties with the planning system have illustrated that many of our wastewater treatment and sewerage networks are reaching capacity, leading to risks of environmental pollution such as that which occurred in Downpatrick.**

“Significant investment is critical if our infrastructure is to cope with and support the vibrant and developing Northern Ireland economy of the future.”

The Minister explained that underinvestment in water and sewerage infrastructure could also give rise to serious financial consequences for other vital public services.

She said: **“If we do not address the investment backlog and make adequate provision for future investment, we risk incurring costly fines from Europe for failing to meet water and sewage treatment quality standards.**

“Those could amount to millions of pounds each year. Payment of these fines would divert valuable resources away from other key public services such as health, education and transport”.

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The Minister stressed the need for a long-term and sustainable funding solution for water and sewerage services.

She said: **“By its very nature, the water industry must be able to plan with certainty over the long term. The public expenditure bidding process does not guarantee the degree of certainty required to enable Water Service to make strategic investment decisions which are so critical to the water industry. Elsewhere in the UK, the water industry, whether in the public or private sector, can rely on a secure and reliable revenue stream from water charges.”**

The Minister pointed to the need for Water Service to be self-financing and said she will be working with Ministerial colleague Ian Pearson and the Secretary of State to ensure that water and sewerage investment is given a higher priority, alongside all the other demands, in the forthcoming Northern Ireland Budget when it is announced in December.

She said: **“As Ian Pearson has recently stated, while there are no immediate plans to introduce water charges for domestic customers, the scale of investment that must take place is likely to require water and sewerage services to be self-financing by the end of the decade.**

“The European Water Framework Directive, which requires Member States to have water pricing policies in place by 2010 that encourage the sustainable use of water supplies, further points to the need for self-financing arrangements”.

The Minister referred to the contribution that Northern Ireland households currently make to water and sewerage costs.

She said: **In contrast to other parts of the United Kingdom, Northern Ireland’s households do not pay water charges. Water and sewerage services are currently funded from the Northern Ireland budget, which includes the Regional Rate. However, the reality is that people here pay much less in local taxation and**

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therefore do not pay enough towards the costs of these services. As we launch a very large investment programme in these vital services, we will have to look to Northern Ireland consumers to contribute to these costs”.

The Minister underlined the need to consider the options to ensure that Northern Ireland's water and sewerage infrastructure is delivered in the most efficient and economical way and plans to visit Scotland and Wales to see how services are delivered there.

She said: **“Scotland has a public corporation model, whereas Wales has a “not for profit” structure. These are two of a range of possible structural options that could be considered for the future delivery of water and sewerage services in Northern Ireland.**

“I will, of course, need to reflect carefully on what I learn in Scotland and Wales, and there will be full and inclusive consultation on all the issues before any decisions are made.”

The Minister paid tribute to the work of Water Service staff, and stressed that investment in the water and sewerage network is essential if these staff are to be given the necessary tools to deliver a high quality service to customers.

She said: **“Since assuming responsibility for the Regional Development portfolio, I have been greatly impressed by the professionalism and dedication of Water Service staff, who continue to deliver services to over 1.7 million people across Northern Ireland against a backdrop of historic underinvestment and ageing water and sewerage infrastructure. Investment is the key to giving staff the tools to continue to perform this important public role.**

“The challenges facing Water Service are immense. Ministers must now create the right framework, both in terms of organisation and financing, to ensure that

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these challenges can be addressed and so that the people of Northern Ireland can receive even better water and sewerage services”.

Water and sewerage services have been delivered by Central Government in Northern Ireland since 1973.

Water Service was created as an agency of the former Department of the Environment for Northern Ireland in 1984.

Following Devolution of Powers to the Northern Ireland Assembly in 1999, water and sewerage delivery has been the statutory responsibility of the Department for Regional Development, delivered through its executive agency, Water Service.

Water Service provides water and sewerage services to over 720,000 domestic, agricultural, commercial and business customers across Northern Ireland.

Northern Ireland is the only part of the UK where domestic householders do not make any identifiable contribution toward the cost of water and sewerage services, which are funded from general taxation.

The average Council Tax bill in England for 2002-03 is £804 per household. The average water bill is £226 per household. When these are added together, the average household contribution in England, over and above national taxation, to the cost of the services provided by local authorities and the water companies is £1032 for 2002-03.

The comparable figure for Northern Ireland is the average domestic rates bill, which is £445 for 2002-03: this is the level of contribution, over and above national taxation, to the services provided by Departments and District Councils here, including the DRD Water Service. For the future several key points will affect these figures:

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NOTES TO EDITORS

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- (a) if the Water Service was to made a self financing organisation, the level of domestic charges would depend on the costs that it would have to cover - there is no question whatsoever of the gap in contributions set out above being covered entirely from water charges. Higher rate charges are likely to make a contribution;
- (b) the Executive made a commitment that rate payments by the domestic sector will not increase by more than the pattern of recent years ~~unless and until~~ a fairer system is in place. Under suspension, Ministers have no plans to move away from that position. Ian Pearson will be saying more about this aspect of the issue on 5 December when he announces the outcome of the public consultation on the Review of Rating Policy.
- (c) under the Reinvestment and Reform Initiative, any revenue raised here which closes the gap between average payments here and in England can be used to service borrowing. The intention was that the Executive and the Assembly would have full discretion on whether or not to generate such revenue, and if so how much, depending on the plans for infrastructure investment. "

Non-domestic customers in Northern Ireland are subject to metered water and trade effluent charges.

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Water and sewerage services in Scotland are delivered by Scottish Water, a public corporation funded by charges to customers and by borrowing.

Water and sewerage services in Wales are delivered by a not for profit company, Glas Cymru, funded by charges to customers.

The water industry is operated by the private sector in England, and is funded by charges to customers.

The central aim of the European Water Framework Directive (Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 (adopted 22 December 2000), "Establishing a Framework for community Action in the Field of Water Policy") is the sustainable management of water resources across Europe.

Article 9 of the Directive requires Member States to have water pricing policies in place by 2010, which:

Provide adequate incentives for users to use water resources efficiently; and

Ensure an adequate contribution to the recovery of the costs of water services from industry, households and agriculture.

Average leakage levels in Northern Ireland are 37% of treated water supplies.

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