



Northern Ireland  
Assembly

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**COMMITTEE FOR  
REGIONAL DEVELOPMENT**

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**OFFICIAL REPORT  
(Hansard)**

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**Draft Budget 2011–15**

9 February 2011

**NORTHERN IRELAND ASSEMBLY**

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**COMMITTEE FOR  
REGIONAL DEVELOPMENT**

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

Mr Fred Cobain (Chairperson)  
Miss Michelle McIlveen (Deputy Chairperson)  
Mr Billy Armstrong  
Mr Cathal Boylan  
Mr Allan Bresland  
Ms Anna Lo  
Mr Fra McCann  
Mr George Robinson

**Witnesses:**

Mr Maurice Bullick ) Belfast Harbour  
Mr Joe O'Neill )  
  
Mr Len O'Hagan ) Belfast Harbour Commissioners  
  
Mr Stewart Barnes ) Department for Regional Development  
Mrs Doreen Brown )  
  
Mr Geoff Allister ) Roads Service

**The Chairperson (Mr Cobain):**

I thank the witnesses from the Belfast Harbour Commissioners and Belfast Harbour for attending. We are discussing an issue related to the draft budget, in which assumptions are made about contributions from Belfast Harbour to the departmental draft budget. I think that it is around £60

million over two years. We are looking for some clarification on that issue and hope that the witnesses might shed some light on it for us.

**Mr Len O’Hagan (Belfast Harbour Commissioners):**

Thank you, Mr Chairperson. The situation with Belfast Harbour remains as it ever was. It is an independent statutory corporation. It is independent of government and has no shareholders. The function of the Department for Regional Development (DRD) is to oversee the legislation under which the harbour operates and to influence the behaviour of the harbour by the appointment of the board and the chairman.

In relation to the draft budget and the numbers that are going around — £5 million, £15 million and £125 million — those numbers have not been discussed with us in any way. We became aware of them when we read about them or politicians spoke about them. Essentially, they do not come from the Belfast Harbour Commissioners, and we have no input to those numbers.

**The Chairperson:**

I want to clarify that before we go any further. The assumptions of £60 million in 2011 and 2012 — £30 million in each of the years — are in the draft budget. None of those issues has been discussed.

**Mr O’Hagan:**

None of those issues has been discussed. We have been asked to enter into a process with DRD to examine ways in which value might be released to the Executive, and we are preparing a paper on that. However, we are very clear on our legal advice — I think that is the same as that of DRD — that there is no way in which any of the assets or cash of Belfast Harbour can be transferred to the Assembly. That is not within the remit of the Act. We are here to protect Belfast harbour, make the investments that we make in it and protect its assets for the benefit of the harbour and its users.

**The Chairperson:**

So no discussions have taken place about the £30 million?

**Mr O'Hagan:**

No.

**The Chairperson:**

If you were in discussions — you outlined the status and independence of the port — what are the likely roads that you would travel? I am sure that the Department did not simply come to you and ask for £60 million. Are there ongoing discussions that we should know about that involve the harbour and the figure of £60 million?

**Mr O'Hagan:**

No, not at all. The situation is that we agreed, after the draft budget was published, to sit down with the Department and discuss our position and whether we could help out. The current cutbacks are a very difficult problem for the economy. The situation is clear, and we are preparing the paper. We said that we would have it ready by the end of February. We would go to jail, effectively, or be personally liable if we were to hand over the assets or the cash of Belfast Harbour to the Executive. Any change to the present arrangements would require primary legislation.

I refer members back to the two-year consultation that finished in 2010, when we reached an agreed position on the port. Everyone reviewed the status of the ports in Northern Ireland and how they should go forward. The situation was settled, and the new Harbour Order was to have come into operation, but that did not happen for legislative reasons. Everyone in Northern Ireland knows what the status of the ports is.

We are happy to be part of a process. It is important that we play our part in the economy. Last week, we announced the Danish Offshore Natural Gas (DONG) investment. Joe will give an outline of that later. We will do the things that we have always done, such as investment in the Titanic signature project. We are looking for another investment in the science park. We will do things that generate economic activity. As we said previously, more people work in Belfast harbour than in the International Financial Services Centre in Dublin. The port has been a tremendous success story for Northern Ireland. In the short term, it is important to look at budget

constraints, but let us not change the model if it is working and delivering for Northern Ireland. It has delivered up to January 2010; everyone agreed that, and we may want to look at that again.

In essence, we are very happy, and we are progressing with the Department. The officials know the harbour exceptionally well, and they work closely with us. We will get to that conclusion, but there is no legal basis on which we can release any cash, assets or land. We are there to use those lands for the benefit of Northern Ireland and the harbour users.

**The Chairperson:**

Unless there is primary legislation.

**Mr O'Hagan:**

Yes. Our legal advice is that any such legislation would have to come from Westminster.

**Ms Lo:**

It is interesting to hear you say that the only way in which DRD can get money out of you is through primary legislation. Housing associations face the same dilemma. They have been told that £20 million will be taken from them every year. They say that they are independent bodies. The one way in which the Housing Executive can get the money out of the housing associations is by reducing the grant that they give to them, leaving the housing associations to put in more money themselves. However, you are not subject to any such structures.

**Mr O'Hagan:**

We receive no public money at all. Everything that is built in the harbour has been paid for by harbour users. Not a penny of public money is involved.

**Ms Lo:**

When you talk about legislation, are you talking about the imposition of a tax system on the harbour or some other type of levy?

**Mr O'Hagan:**

That is a very interesting point. The normal way to get a return on assets would be to introduce

taxes on them. However, it is not within the purview of the Assembly to raise taxes — normally corporation tax — that are being already being raised by Westminster. I am not a lawyer, but it is highly unlikely that that is a possible route.

Overall, I know that we have a problem with the draft budget, but the main questions are: does the harbour work; where is its money spent; has it money to be given to government anyway? We are about to publish our three-year plan, which we do every year. It is very open as to where we spend the money. The sort of things that we do have a good return, because they have to.

Northern Ireland has one of the best harbours anywhere. It is unique in that there is no other country in the world where over 60% of the port traffic and over 90% of the container traffic go through one port. Therefore, we have to be very careful, and careful with our reserves. If an oil tanker were to go down in the Victoria Channel, we would have to spend many, many millions of pounds very quickly to try to get it out.

Ports are strategic assets. We have spent a lot of time, and the Committee has spent a lot of time, going through the process of reviewing all the ports in Northern Ireland, and we have a settled position. I have every sympathy. We can make our big contribution by attracting inward investment, as we are doing with the DONG investment. One or two such projects are coming along.

Do you want an outline of the DONG investment? Perhaps Joe could quickly outline what we have done.

**Ms Lo:**

May I ask a question first? Do you know how that figure of £60 million was arrived at?

**Mr O'Hagan:**

No.

**Ms Lo:**

Is it to do with your reserve? Perhaps your reserve is being looked at, and people are saying that you have enough money to pay.

**Mr O'Hagan:**

We have about £10 million of free cash flow every year. At the end of the year, we had about £58 million on the balance sheet. That built up over a number of years, and then along comes a major investment. Port infrastructure is very expensive. A fantastic opportunity such as the DONG investment comes along, which is the result of this management team promoting the fact that we are a carbon-neutral port. We went down that road for a number of years, and, with Harland and Wolff and Invest Northern Ireland, we have been trying to attract clean-tech industries. This is a big win, and it is worth outlining what it is.

**The Chairperson:**

Before you do that, the Committee had many discussions with the harbour, and we support it. As you say, strategically, it is important to Northern Ireland. We want to make it as commercially competitive as possible. We believe that there are huge opportunities for the Port of Belfast. It came as a shock to us as, I am sure, it did to you. The Committee totally supports the port and all the work that you are doing. We recognise how important it is for you to remain as commercially viable as possible.

**Mr Joe O'Neill (Belfast Harbour):**

I will take two minutes to explain the DONG project. It is one of the largest utility companies in northern Europe. It is 76% owned by the Danish Government and is worth about £6 billion. It is, therefore, a major player in the utility market. It was announced last week that we will develop a facility in the port for DONG over the next 18 months that will serve as its logistics and assembly base for the installation of offshore wind farms in the Irish Sea. DONG is currently the largest offshore wind farm operator in the UK and in northern European waters. It developed five out of 10 of the largest offshore wind farms in the world. It will invest £4 billion in the Irish Sea in the next five years and requires a substantial facility to support that. We will develop that facility for it on a 50-acre site, which represents a £40 million investment. It is a good commercial deal for Belfast Harbour. The economic benefits are huge. The project will create 150 to 160 jobs in the

construction phase. We will go out to tender for that in the next two months, with building from July of this year through to January 2013. Therefore, it is a significant boost to the construction sector at this time. Thereafter, the operation of the facility will generate about 300 jobs.

We see this project as a catalyst for the development of a wider marine energy park cluster, where we can bring in other blue chip companies not only for assembly but for the manufacture of offshore wind farm components.

**Mr F McCann:**

Like the Chairperson, I was quite shocked to find out about the figure of £20 million. That figure has been in the ether for a considerable time, yet no one has thought to ask the Belfast Harbour Commissioners or Belfast Harbour where those funds will come from. As a former Belfast harbour commissioner, I am aware of some of the work that goes on. If it were possible for that money to be withdrawn from Belfast Harbour, what impact would it have on the general infrastructure over the period of time the Department is talking about?

**Mr O'Hagan:**

We have a free cash flow of approximately £10 million each year. Therefore, depending on how much would be taken out by the Executive, it will reduce our ability to invest. It is as simple as that. We also have one hand tied behind our back, because the ports legislation that everyone agreed on has yet to be passed. As a result, we are still a public corporation, and we cannot borrow money or accelerate our investment and, as Fra will know, we always have to keep a contingent amount in case there is a problem with a ship or something else. It is not clear that when we come to those years that we will have the cash to invest, and it depends on what the investment is. We will not stop investing when there is a good return to the harbour; that is what we are here to do.

**Mr F McCann:**

Would it put Belfast harbour's status as the leading port in Ireland under threat?

**Mr O'Hagan:**

Absolutely. Those constraints are not placed on any other port in Ireland, while the other ports in



GB do not have the same restrictions on borrowing that we have.

**The Chairperson:**

In the draft budget detail that I looked at, the Department describe it as a “dividend.” What is that?

**Mr O’Hagan:**

It cannot be a dividend. Belfast Harbour is an independent statutory corporation with no shareholders; therefore, it cannot pay dividends. The statement in the document is pretty qualified. The officials know the law, and it is going to be difficult.

**The Chairperson:**

The Department states that it is a dividend.

**Mr O’Hagan:**

We cannot pay dividends.

**The Chairperson:**

I am just asking you for the record.

**Mr O’Hagan:**

It is wrong.

**The Chairperson:**

Thank you.

I now welcome officials from the Department for Regional Development. Would you like to begin with Belfast Harbour?

**Mrs Doreen Brown (Department for Regional Development):**

I have a couple of points to make, the first of which is about the numbers. The draft DRD budget

includes a £15 million input from the Port of Belfast in years 3 and 4; therefore, it is a total of £30 million.

The Department never meant to use the word “dividend” in the technical sense. It prefers to look on it as a contribution or value that will be extracted from the port and put into DRD’s baseline.

**The Chairperson:**

DRD’s draft budget refers to “dividend from ports”.

**Mrs D Brown:**

As I said, the Department did not intend it to be the precise definition of dividend.

**The Chairperson:**

If it is not meant to be a precise definition, why is it in your draft budget?

**Mrs D Brown:**

We simply mean it to be a contribution that the Department will extract from the port and put into DRD’s baseline.

**The Chairperson:**

Therefore, it is not a dividend.

**Mrs D Brown:**

It is not a dividend in the technical sense. It is income that the Department will get from the port.

As Len O’Hagan said, we engaged with the Port of Belfast since the publication of the draft budget to explore options for how that money could be extracted and put into DRD’s baseline. That process is still under way, and because it has not been completed, I cannot speculate on how it will turn out.

However, from what I have seen so far, I believe that it is highly likely that what Len said is

correct, and primary legislation would need to be enacted to enable that money to be extracted from the port. Len mentioned that it might have to be Westminster legislation. I am not in a position to say that; that is more speculative. The reason why the two sums of £15 million were put into years 3 and 4 of the draft budget was to ensure that, if legislation were required, there would be a two-year window of opportunity to progress that legislation.

**The Chairperson:**

To be absolutely clear about the port, what we are saying is that two sums of £15 million were included in the draft budget but were not agreed.

**Mrs D Brown:**

That is right.

**The Chairperson:**

Therefore, if the two sums of £15 million are included in the draft budget but the Department does not get them, it will have to hunt for the £30 million. Is that right?

**Mrs D Brown:**

If we do not get all or some of the £30 million, we have a number of options. Either we could look to raise money from elsewhere, such as asset disposal and that sort of thing, we could bid to DFP for the money, or we would have to cut our services elsewhere.

**The Chairperson:**

You would be as well writing to me as writing to DFP. For heaven's sake.

**Mrs D Brown:**

It is an option, because at times there is spare capital in-year.

**The Chairperson:**

It is an option. As a Committee, we support the Department on spending, and have always done so — we have been round that many times — but our big concern is that the money was included in the draft budget, but there is no agreement that the Department will actually get the money.

Other financial projections are based on getting the £30 million but, obviously, if you do not get it, we will have difficulties in other areas. We have huge issues with the draft budget, but, on issues such as that, the money is not guaranteed, and you are basically operating on a wing and a prayer on whether you will get it or not. I hope that I am speaking for the Committee when I say that that sort of accountancy is not acceptable. You are assuming that you will get money and then spending the money on an assumption.

**Mrs D Brown:**

A number of areas in departmental draft budgets rely on assumptions.

**The Chairperson:**

We will move on to other issues, but I am now talking about the Port of Belfast. You assume that you will get £30 million, but there is no guarantee that you will get it. It could end up in a wrangle over the ports and with legislation at Westminster. I am sure that you know as well as I do that, if it does end up there, the coalition Government are up to their necks in legislation, and it is not clear whether we could get it in or not. The number of difficulties around the issue is crazy, yet it is included.

**Mrs D Brown:**

I come back to —

**The Chairperson:**

I just want to ask you this: was that put into the budget without talking to Belfast Harbour?

**Mrs D Brown:**

Yes. However, I have to stress that we are in a process with Belfast Harbour to see how that could be delivered.

**The Chairperson:**

I know, Doreen, but it was done without speaking to Belfast Harbour. That is the point that I am making. For heaven's sake.

**Mr F McCann:**

I have to agree with the Chairperson. Belfast Harbour states that it could be illegal for the Department to extract any cash at all from it, which also raises serious questions. From listening to what has been said and going to the harbour myself, I know that in many ways it has been one of the economic success stories over many years. I am concerned that, even if we were able to extract that resource from the harbour, given that most of the money that comes back is reinvested in the infrastructure of the harbour, it would have a detrimental effect on its economic development and the provision of jobs and industry.

**Mrs D Brown:**

There are two points to make. First, Len O'Hagan said that he felt that it would be illegal under current legislation to seek to extract money from the harbour, and I think that that is right. Secondly, would extracting money be detrimental to the harbour? I think that, inevitably, it would, but then it is a question of the Executive's judgement about where the greater good lies, because the money would be coming in for other uses.

**Mr F McCann:**

Representatives from Belfast Harbour just said that they have won a major contract with a Danish firm. If there is less resource, it makes it almost impossible to offer the conditions that would encourage other people in.

**Mrs D Brown:**

A judgement has to be made about where the greater good lies.

**The Chairperson:**

Therefore, it is not for management at Belfast Harbour to decide; it is for the Executive to decide whether they are managing the port. Therefore, somebody else will decide the best way for them to invest their money.

**Mrs D Brown:**

It is an Executive Budget —

**The Chairperson:**

I have one simple question, Doreen. If the dividend is extracted from Belfast Harbour, would that count against the block grant in accountancy terms or would that be additional?

**Mrs D Brown:**

It is already assumed in the DRD baseline.

**The Chairperson:**

Yes, but will there be any implications for the block grant?

**Mrs D Brown:**

No.

**Ms Lo:**

I agree, Chairperson: this situation is amazing. This is obviously another half-baked idea that has not been thought through, similar to that of the housing associations' reserves. The Department is thinking of legislating to get a levy. However, as the Chairperson said, would that not then go to the Treasury?

**Mrs D Brown:**

I think that you are taking me a step beyond where the work in which we have been involved has got to. The term "levy" was used. However, at this stage, I am not in a position to say that a levy will be the definitive position. We are still exploring what the nature of the contribution would be. If it were to be a levy, we would be in exactly the area of difficulty that you mentioned. However, at this stage, I am not clear that it will be deemed to be a levy.

**Ms Lo:**

You said that, if you do not get that, the fallback position would be to sell some land.

**Mrs D Brown:**

I said that we would have to look at other ways of increasing revenue. I used the disposal of assets as an example. I do not have specific projects in mind, because this is all very tentative.

Other ways include trying to get more money from DFP or cutting services elsewhere in the Department.

**Ms Lo:**

I have been a member of the Committee for Social Development for the past three and half years. The Department for Social Development has been in crisis in the past few years because of the social housing programme and its dependency on receipts from the sale of houses and land. The Department has been able to make only a fraction of what it was told it should be making to subsidise its budget. A word of warning: selling land, houses or assets now is not a good idea.

**Mr F McCann:**

On the back of what Anna said, at least housing associations have some power to be able to do that without withdrawing a grant. You do not seem to have any power at all.

**The Chairperson:**

Redundancies are also a big issue for the Committee. I want to ask about three areas resulting from the draft budget.

Will there be any voluntary or compulsory redundancies in the Department?

**Mrs D Brown:**

Our current assumption is that we will be able to live within our resources by natural wastage.

**The Chairperson:**

Voluntary redundancy?

**Mrs D Brown:**

No, natural wastage — not redundancy of any sort. Natural wastage is people leaving the organisation on age or retirement grounds or because they want to work elsewhere. That would mean that, at the end of a four-year period, the Department would have 250 fewer jobs than it has at present.

**The Chairperson:**

What happens if you do not get that natural wastage? Natural wastage is another way of saying a management tool to reduce the size of the Department. In four years' time, the Department will have 250 fewer jobs for which people can apply.

**Mrs D Brown:**

Yes.

**The Chairperson:**

I do not believe in natural wastage, and I have had this argument before. What you will have is a smaller Department.

**Mrs D Brown:**

There will be a smaller Department. However, all I mean is that the exit path would not be a redundancy route.

**The Chairperson:**

The Department will not be able to employ the same number of people in four years' time.

**Mrs D Brown:**

No.

**Mr Stewart Barnes (Department for Regional Development):**

Various restructuring is going on in the Department to make sure that that is covered.

**The Chairperson:**

I know that, Stewart.

I want to ask you about Translink.

**Mrs D Brown:**

Translink —



**The Chairperson:**

Redundancies?

**Mr Boylan:**

Chairperson, I want to go back on that point before we move on to another topic.

**The Chairperson:**

We are talking about departmental redundancies.

**Mr Boylan:**

My point is about Belfast Harbour and the projections that have been brought through the draft budget.

**The Chairperson:**

You want to go back to the topic of Belfast Harbour?

**Mr Boylan:**

I want to come in on that point. It is absolutely ridiculous that, instead of taking a positive look at what we can achieve, the Department is projecting £30 million in a draft budget but saying that, by the way, if it does not get that, there is a backup plan.

The person sitting beside you runs programmes and could take money in the morning and use it. It is as though the Departments were operating in silos. How can you bring forward a projection of £30 million? You must have had an idea for cover if you did not get that money. It is ridiculous, and it is a bad way to construct a business plan or bring forward a budget in the first place. There are no two ways about it: you have no guarantees and no legal advice about whether you could extract £30 million.

**Mrs D Brown:**

We did not write that into our draft budget; that was the budget that DFP gave us.

**The Chairperson:**

Did DFP write that in?

**Mrs D Brown:**

Yes.

**Mr Boylan:**

Was it on the basis of advice given to a Minister who brought the matter to the Executive?

**Mrs D Brown:**

We did not provide any advice.

**The Chairperson:**

So, this is purely an initiative from DFP.

**Mrs D Brown:**

Yes.

**The Chairperson:**

Will Translink produce a corporate plan for us?

**Mrs D Brown:**

Translink is working on its corporate and business plan at the moment.

**The Chairperson:**

Will we see it before your budget is finalised?

**Mrs D Brown:**

It will not be available until after our budget figures have been firmed up.

**The Chairperson:**

Will we see the draft?

**Mrs D Brown:**

No, because the draft will be written using the final budget figures. Translink is working on its assessment of the implications of the draft budget, but that is not ready yet.

**The Chairperson:**

I do not understand this.

**Mrs D Brown:**

Translink is working through a complex process in which it has to look at balancing service reductions, job reductions and fare increases. It is not yet at the stage of having what it regards as feasible proposals to put forward to the Department or to you.

**The Chairperson:**

When will the budget impact?

**Mrs D Brown:**

It will have an impact from the start of the new financial year.

**The Chairperson:**

So, we are saying that Translink does not have a plan to deal with the draft proposals for a budget that will come into force within eight weeks.

**Mrs D Brown:**

Translink is working up its plans and is aware of when the reductions will hit.

**The Chairperson:**

I know, Doreen, and so are we. The budget will be in force in eight weeks, but the Committee cannot get sight of how Translink will address the issues.

**Mrs D Brown:**

Not at this stage. The Department has not yet seen the detailed proposals from Translink.

**The Chairperson:**

We need to see them. There are major impacts for workers in Translink, customers and the economy. Do you know when the plans will be ready?

**Mrs D Brown:**

I know that they are not ready at the moment.

**The Chairperson:**

I know that. Let us not get into the Civil Service lingo about not being ready at the moment but may be ready tomorrow. When are we likely to see them?

**Mrs D Brown:**

I imagine that it will be in a number of weeks. As I said, the Department has not seen Translink's preliminary proposals, and the Minister will have to see those before wanting them to be viewed more widely.

**The Chairperson:**

Does that apply even to Translink's draft proposals?

**Mrs D Brown:**

The Minister will want to make a judgement —

**The Chairperson:**

On whether we could see the drafts?

**Mrs D Brown:**

No. He will want judge the acceptability of Translink's proposals, because, in the past, proposals from Translink were judged by the Minister as not being acceptable, and further work had to be done to produce better ones.

**The Chairperson:**

So, we could agree a DRD budget in the middle of February without knowing the consequences of that?

**Mrs D Brown:**

You would not know precisely what the consequences will be.

**The Chairperson:**

There is absolutely no way that the Committee will blindly agree to a budget without knowing its consequences for jobs in Translink, Metro and the railways. It is outrageous for anybody to ask a scrutiny Committee to agree to something that it has not seen. I am sorry, Doreen; absolutely not.

**Ms Lo:**

Len O'Hagan talked about a figure of £60 million. Are you saying that the figure is £30 million?

**Mrs D Brown:**

It is £30 million: £15 million in year three and £15 million in year four.

**Mr Boylan:**

I would like you to clarify a point, and I am sorry if I was mistaken. Are you saying that DFP suggested, or that the Executive agreed, to extract £30 million? Is that correct?

**Mrs D Brown:**

Yes.

**Mr Boylan:**

In essence, if DFP tells DRD to extract £30 million, must you try to find some way to do that?

**Mrs D Brown:**

Yes.

**Mr Boylan:**

I do not know who suggested that, but it is absolutely ridiculous. DFP has put pressure on DRD to extract that money. Can we find out where that suggestion came from? Do you understand what I am saying, Chair? DFP wants to extract £30 million from the ports and is asking DRD to do it. I thought that the recommendation was the other way round, and I apologise for that.

**The Chairperson:**

I want to ask about roads maintenance. The Committee is concerned about the U-shaped allocation. As you explained, the money is pretty good in the first year, drops down way below what is needed over the next two years and rises again in year four. How can you manage that, Geoff? Does that U-shaped arrangement, as opposed to a straight-line allocation, give you problems?

**Mr Geoff Allister (Roads Service):**

There is no doubt that a straight line would be preferable, Chair. It is not so much a question of our management of that situation but of the industry's capacity to deliver. You are absolutely right that, in year one, we have a large sum of money, and the industry will be required to gear up to deliver that. The sum of money goes down considerably in years two and three and back up in year four.

We have had discussions with the Quarry Products Association (QPA), which believes that it can manage the situation. We have to take the QPA at face value, because it is the expert in delivering for us. The arrangement is not all that difficult for us to manage, because we have a long list of schemes. There is no one here who could not give me a long list of schemes for their areas. We will move the ruler up and down the page and deal with the worst cases as we come to them.

**The Chairperson:**

From a managerial point of view, how do you prioritise your work? That will be an issue in years

two and three.

**Mr Allister:**

There will be difficulties with priorities. The other issue for me in years two and three concerns a number of my staff, who designed and assessed those schemes, let contracts for them and supervised them on the ground. If we do much more in year one and much less in years two and three, there will be an impact on the staff involved in that activity. I will not need the same number of staff in years two and three as I will have in year one. That is compounded by the fact that I need to keep those people skilled, because we will have to ramp up activity again in year four. The issue for senior management, therefore, is how we deal with the resource and allocate it to the business.

**Mr G Robinson:**

Will that lead to possible redundancies?

**Mr Allister:**

No. I have adopted the same position as the Department, which is that there will be no redundancies. However, some staff, who are involved in, for example, local transport and safety measures or structural maintenance, which will also experience reductions in years two and three, will have to be diverted to other activities.

**Mr G Robinson:**

You will move people around.

**Mr Allister:**

A number of activities will have to be ramped up. At previous meetings with the Committee, we discussed the need for me to bring additional revenue into the organisation. Roads Service has never been structured to bring large amounts of revenue into the organisation, so I will need to put some resources into that. Other areas of the organisation, such as managing and controlling street works, could also do with additional resources. I will move people from other parts of the organisation to the areas that are under pressure. A degree of flexibility will be required to do that.

**The Chairperson:**

I want to ask you about the A5 and A8 projects and the overall budgetary allocations. Will you clarify the total resource allocations from us and from the Republic?

**Mr Allister:**

In giving you the figures and dealing with any follow-up questions, I will try to provide you with as much detail as I can. The Republic of Ireland has committed publicly to giving us £400 million towards the construction of those schemes. The banded estimate for the A5 is broad, at somewhere between £650 million and £850 million. The estimate for the A8 is also a banded estimate of somewhere between £110 million and £120 million. For budgetary purposes, we took the total expenditure for the A5 and A8, over the Budget period, to be £787 million, and that is the allocation that has been made to us.

**The Chairperson:**

Is that our contribution?

**Mr Allister:**

No, £787 million is the total cost of the schemes. During the Budget period, the Republic of Ireland will give us £274 million, leaving us to contribute £513 million during the same period. I will explain why there is a lag in payments. Our agreement with the Republic of Ireland, which, from its point of view, is eminently sensible, is that it will not pay us upfront but when the work has been done. We then get the work invoiced. The balance of £400 million will, therefore, have to come in the next Budget period.

**Miss McIlveen:**

Were there to be a change of Government in the South, could the contract change, or can neither party get out of the agreement?

**Mr Allister:**

Let us be clear about the contract. At present, the A5 has been split into three separate packages, because of the sheer scale of the job, and there is one package for the A8. The contract that has



been awarded is for us to work with contractors to develop the scheme and take the scheme through the public inquiry. The public inquiry on the A5 will probably take place this summer. Included in that is a clause that we are not obligated to continue to do the work on the ground. In other words, if the money does not come through, for whatever reason, we are not obligated to pay contractors because there will not be any work for them to do. We have a cut-off point built in.

**Miss McIlveen:**

Is there any indication of backtracking on the contract?

**Mr McAllister:**

All of the indications from the Republic of Ireland are that it is totally committed to these schemes. There is a North/South sectoral meeting this morning — I imagine that it will be completed by now — at which the Republic of Ireland is set to agree to transfer a further £11 million to us as part of its payment. If we assume that that went through today, it means that the Republic of Ireland has already committed £19 million towards the scheme. All the signals on the political front and from my officials in the Republic of Ireland are that the schemes are still going ahead because that contribution is intact.

**Mr F McCann:**

Most of the rumour about the South not honouring its agreement came on the back of comments from a political leader at the beginning of an election campaign, and that person may not end up in Government at the end of it. However, all of the other political leaders have committed to seeing the project through. You said that, ultimately, the Republic of Ireland's contribution will be worth £400 million. That seems less than we would be paying towards the overall project.

**Mr McAllister:**

The contributions to the overall project, taking the A5 and the A8 together, are probably not far off 50:50. It is difficult to be specific about the price of a scheme. The scale of the A5 scheme led us to band the estimate at somewhere between £650 and £850 million, of which the Republic of Ireland will pay approximately 50%.

**Mr F McCann:**

Do you take into account the construction jobs over that period?

**Mr McAllister:**

Yes, we do.

**Mr F McCann:**

What would that be?

**Mr McAllister:**

I could not give you a figure for that here. However, it is taken into account.

**Mr Bresland:**

You said that the A5 would cost somewhere between £650 million and £850 million. Does that include the compensation that the farmers will receive for their land?

**Mr Allister:**

It includes compensation for land, the scheme's development and construction costs, and the cost of building materials. It is an all-inclusive figure.

**Mr G Robinson:**

I am not trying to be negative, but, if everything goes pear-shaped and the money is not forthcoming, will the two schemes be scrapped?

**Mr Allister:**

That decision would not be mine. If the money were not available, a decision would have to be made on whether: the schemes should be postponed; taken forward in part because, as I said, the A5 is split geographically into three sections; or, to use your terminology, "scrapped". Someone would have to make that decision.

**Mr Armstrong:**

When will that decision be made? When will you know whether the schemes will go forward?

Will you go part of the way, find that you will not get the money and then scrap it, or will you make sure that everything is in place before starting?

**Mr Allister:**

Just to be clear, I will not be scrapping any road schemes. *[Laughter.]*

I want it written into the record that I am totally committed to delivering on the A5 and A8 schemes. I imagine that decisions on funding and on whether schemes go ahead will be made at Executive and Republic of Ireland Government level. At the end of the day, that is where the commitment to those two schemes lies. They are intergovernmental schemes. Statements issued at North/South Ministerial Council (NSMC) meetings in transport sectoral format and at NSMC plenary meetings show that building the two schemes is very much an Executive and Republic of Ireland commitment.

**Miss McIlveen:**

I want to go back to the issue of transport and Translink. Over the past number of years, we have heard of the huge duplication of transport providers across the Departments, particularly the Education and Health Departments. At the Committee's stakeholders' event, it was enlightening for members to hear Translink accept that for the first time. Translink also said that it had presented a paper to Roads Service based on proposals that it had seen. What has been your involvement in that?

**Mrs D Brown:**

We met Translink before Christmas to talk about the possible scope for sharing services, including transport, vehicle maintenance, vehicle stabling or even joint procurement of services and goods. Translink produced the first stab at a discussion paper that set out areas where it thought that there would be scope to pursue. I have passed that to the Department of Education and the Department of Health, Social Services and Public Safety. I asked them to join DRD in finding the most appropriate people in the health and education sectors to instigate detailed discussions about how to achieve something tangible.

**Miss McIlveen:**

Do you mean rather than something aspirational, so that we realise budget savings?

**Mrs D Brown:**

That is the problem. This issue has come up many times. It always seems to hit obstacles because, I think, plans may have been set at too high a level or were too grandiose. This time round, we are trying to start at ground, or operational, level, and build from there, rather than trying to do something from the top down.

**Miss McIlveen:**

You told a previous Committee meeting about the contract between Translink and the Department of Education, or the boards in particular. How has that progressed?

**Mrs D Brown:**

Discussions are going on between Translink and the Department of Education. We understand that a contract will be in place for the current year. However, discussions continue about the terms for subsequent years and, indeed, the period of any contract from next April onwards. The Department of Education was reluctant to enter into a long-term contract and talked about a series of one-year contracts. Translink does not find that ideal, because it does not give it planning certainty. I think that that is the point that Translink is discussing with the Department. The Department's budgetary situation then comes into play. Therefore, quite some negotiation remains to be done.

**Miss McIlveen:**

Do you have any direct input?

**Mrs D Brown:**

No.

**The Chairperson:**

Doreen, I have two quick questions, the first of which concerns Translink. I hope that you understand that the Committee is being asked to vote for something that it has not seen. That is

not reasonable in any circumstances. How can we ask members to put up their hands for what may entail hundreds of job losses in Translink without seeing the proposal?

The other issue concerns the ports. We are not happy that the £30 million has been included in the Department's draft budget, because we do not know whether we will get that money. DFP has imposed that on the Department without consultation.

Water is also mentioned in the proposals. My concern is not about Northern Ireland Water but about the draft budget. You will not meet the investment in PC10.

**Mr Barnes:**

The regulator, the Department and NIW have had a meeting about how deliverable PC10 is, and there will be further meetings on how to match it to our budget.

**The Chairperson:**

The point is that it is not matched.

**Mr Barnes:**

It is not matched at the moment, but they will try to come up with a solution to match the two in future meetings.

**The Chairperson:**

Do not forget that we will have to vote on the Department's budget. The regulator told the Committee what was needed for Northern Ireland Water to meet PC10. We agreed to that, as did the Department. Four weeks later, departmental officials — not you — came back and said that they had agreed to PC10 six weeks ago but that they had changed their minds and could not meet it.

**Mrs D Brown:**

The capital allocation, especially in years 2 and 3, did not give us enough money to meet PC10, because most of the capital was taken up by the ring-fenced A5 and A8 schemes and by ring-fenced trams.

**The Chairperson:**

I was about to ask you about that. The Committee and the Department agreed with PC10, which related to investment in Northern Ireland Water, but that will not be met. You may talk around the issues, but, in general, it appears that we will not get what we were promised, unless there is a dramatic shift in the draft budget.

**Mrs D Brown:**

That is right.

**Mr G Robinson:**

Will that money be for upgrading? The situation over the Christmas period, and so forth, means that there is much upgrading to be done. Do the budgetary restraints mean that there will be no further upgrading of the system? That upgrade is essential.

**Mrs D Brown:**

The ongoing discussions between the Department, Northern Ireland Water and the regulator will consider how Northern Ireland Water would prioritise the use of whatever funding we were able to make available to it. I think that the Department will make a strong case about the need to deal first with the obvious faults in the infrastructure that let down the whole system at Christmas. The Department will make a case for tackling that before moving on to other things. The discussion to reach an agreed list of priorities is continuing.

**Mr Boylan:**

That is fine; they fixed whatever they had to fix. Over the past three years, funding has gone into waste water treatment and sewerage. The mains network is clearly exposed. We agreed a funding package, and we are going to be short because of the budgetary process. Under PC10, the regulator and NI Water made an agreement on how NIW should spend that money. Last time, I asked the same question that George just asked: can we revisit that to ensure that the water mains are looked at? I am sure that the package for waste water treatment and the work that is ongoing was agreed. We now need to look at the mains infrastructure. We hope that that will be taken on board.

**Mr Barnes:**

I am sure that NIW will be looking at that. We do not have the detail of what is going on in water. Hopefully, the representatives from the water policy division and the shareholder unit will be able to answer those questions in greater detail at your meeting with them.

**The Chairperson:**

We were asking about them, because they appear in the draft Budget. The issues for us are those that appear in the draft budget.

Doreen, I believe that you have announced your retirement. Have you?

**Mrs D Brown:**

Yes.

**The Chairperson:**

Everyone around the table admires you because we would like to announce ours, too.

*[Laughter.]*

**Ms Lo:**

You look too young to retire.

**Mrs D Brown:**

Thank you so much. May I have that in Hansard?

**Mr Boylan:**

Had I known, I would have made my questioning softer. I apologise.

**The Chairperson:**

I want to say on behalf of the Committee that we appreciate all the help that you have given us over the years. You have been very helpful to us, and we appreciate it. I hope that you have a very happy retirement.

**Mrs D Brown:**

Thank you very much indeed.