



Northern Ireland
Assembly

**COMMITTEE FOR
REGIONAL DEVELOPMENT**

**OFFICIAL REPORT
(Hansard)**

**Departmental Briefing on Planned
Spending Allocations and Saving Delivery
Plans for 2011-15**

12 January 2011

NORTHERN IRELAND ASSEMBLY

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REGIONAL DEVELOPMENT**

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Saving Delivery plans for 2011-15**

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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

Mr Billy Leonard

Ms Anna Lo

Mr Fra McCann

Mr Conall McDevitt

Mr George Robinson

Witnesses:

Mr Geoff Allister)

Ms Doreen Brown)

Mr Roger Downey)

Dr Michael McKibbin)

Department for Regional Development

The Chairperson (Mr Cobain):

I welcome Dr Malcolm McKibbin and his departmental colleagues who are here to brief the Committee on the draft Budget.

Dr Malcolm McKibbin (Department for Regional Development):

Good morning. I am conscious that the Committee has only just received the relevant papers. I will, therefore, give a longer overview than I might otherwise have given. When, in subsequent meetings, Committee members wish to delve into the detail, I assure them that we will provide officials to help members to understand fully the consequences of the draft Budget.

I will begin by pointing out that, last October, the UK spending review announcement left Northern Ireland facing its most difficult fiscal challenges in decades. After years of sustained public expenditure growth, the coalition Government's proposals resulted in real-terms reductions in public expenditure across the UK. As members are probably aware, up to 2014-15, the Executive face real-terms capital decreases of about 40% and current expenditure decreases of 8%. The 40% reduction in capital will have a big impact on the Department for Regional Development (DRD) and the region, as we are the major investor in infrastructure here.

The 8% current expenditure reduction in the Northern Ireland block grant will also be extremely difficult to manage, especially because the Department of Health, Social Services and Public Safety's (DHSSPS) large current budget has not only been protected but enhanced by about £330 million over the Budget period. Therefore, DRD faces difficult choices among a wide range of competing yet important priorities.

As members know, the Executive's priority is to stimulate the economy, tackle disadvantage, protect the most vulnerable in society and protect front-line services as far as possible. As the largest capital Department historically, DRD's role is to invest in infrastructure and to support the Executive's aims within the funding that is available to it.

What does the draft Budget mean as far as DRD is concerned? I will go into some detail, as I am aware that members have not had time to go through the relevant papers. It is important that the Committee appreciate the overall strategic challenges that the Department faces. It is a very difficult Budget for DRD, as it is for the Executive. The allocations that we receive in the draft Budget will help to continue to improve elements of our roads, water and transport infrastructure, and they will also allow us to continue to fund the majority of our existing programmes, albeit at a fairly significantly reduced level.

I will begin with capital expenditure. The draft Budget allocations would provide capital budgets to DRD of about £2 billion over the Budget period. That includes about £1.1 billion for roads, £185 million for public transport and about £665 million for water. However, the key issue is that about £790 million of that large capital sum — approximately 70% of the roads allocation — is specifically allocated to the A5 and A8 road schemes. That tends to distort the capital budget quite significantly. Members will also be aware that the Republic of Ireland will contribute about £400 million to the A5 and A8 schemes, about £274 million of which will be contributed during the period of the Budget.

Nevertheless, the overall reduction of 40% in the Executive's spending review settlement and the scale of those schemes mean that there are no allocations to commence construction on other major road schemes, such as the A6 Randalstown to Castledawson scheme, the A2 Greenisland scheme, the York Street flyover, the Sydenham bypass widening project and some other schemes along the A6. In addition, there will be significant reductions in capital improvement programmes, such as walking and cycling, traffic calming, collision remedial works, traffic management works, safety schemes and bridge strengthening.

The impact will be most severe in years two and three of the Budget. The ring-fenced allocation for the A5 and A8 schemes also reduces the available capital funding for public transport programmes throughout the Budget period. That means that there is no funding for the Knockmore to Lurgan railway track replacement. There will also be an impact on the water and sewerage programmes, with the result that there is insufficient funding to match the Utility Regulator's recommended capital funding levels in 2012-13. That is despite the Department and the Minister having shifted funds from other programmes to try to bolster water and sewerage investment.

What will DRD be able to do over the Budget period? The Budget 2010 proposals permit Roads Service to progress the 84 km of the A5 dualling scheme in accordance with the previously envisaged timetable. Subject to the public inquiry that will be held in May 2011, they also enable us to start that construction phase in 2012. We will also be able to dual 14 km of the A8 Belfast to Larne road, which is being taken forward in conjunction with the A5 scheme and, indeed, was

subject to some of the funding assistance from the Republic of Ireland. Again, subject to a successful public inquiry, construction could commence in 2012.

Residual road funding means that only one other capital roads scheme will be able to be completed in the Budget period, namely the A32 Cherrymount link road, which, as members know, facilitates access to the new hospital in Enniskillen. The Department will be able to continue development work on the A6 Dungiven to Derry scheme to ensure that, if money becomes available, we will be in a position to commence construction.

The other important area in roads is structural maintenance, to which the draft Budget allocates £94 million, £52 million, £56 million and £82 million during the Budget period, a total of approximately £280 million. Compared with the structural maintenance funding plan, we are about £200 million short of what is required properly to maintain the network over the Budget period. Obviously, that is of major concern to us. Coupled with reductions in other road maintenance activities, we predict that the network will be less resilient to severe weather events such as freeze-thaw cycles, similar to that which we have just experienced, or, indeed, flooding.

About £185 million has been allocated to the capital budget for public transport. I will start with railways: the draft Budget allocation would allow for the delivery of 20 new trains and for the necessary platform extensions and stabling facilities associated with them. However, pressure on the revenue that supports railways, which I will discuss in a moment, may mean that some new trains will not be utilised to their optimum extent. The draft Budget also allows for railway safety works to be carried out on the current rail network. Some smaller projects, such as rail hand-held ticketing, can be taken forward.

The allocation, however, does not allow for the Knockmore to Lurgan upgrade or track replacement, which could lead to speed restrictions being imposed on that part of the network during the Budget period. Plans to commence the Coleraine to Derry track upgrade must also be delayed, but they are expected to commence in the fourth year of the Budget period. Other capital projects for public transport may have to be deferred. The Northern Ireland Transport Holding Company (NITHCo), representatives of which will, I understand, meet the Committee shortly, is working to identify and prioritise relevant projects as we speak.

There is limited provision for bus replacement or bus service delivery. It is likely that that will impact on service standards and on the average age of the bus fleet. As far as rapid transit is concerned, the draft Budget allocations also allow for the continuation of the planning phase, primarily, of the pilot rapid-transit network around Belfast. As regards sustainable transport, capital is available in 2011-12 to try to bring forward the Belfast on the Move initiative, which has been presented to the Committee previously. It also allows the progression of a number of other key public transport initiatives, such as the Derry cross-city bus priority measures, and working with the private sector to explore opportunities to utilise new and emerging technologies in areas such as ticketing and passenger information and to help to promote that modal shift to public transport. It also supports the Office for Low Emission Vehicles (OLEV), which has been awarded funding to support the installation of the charging infrastructure for electric vehicles that throughout Northern Ireland. There will be opportunities to carry out pilot demonstration projects on active travel.

Members will be aware that, in April 2010, the Executive agreed investment priorities for water and sewerage. The priorities are to improve that infrastructure, to deliver sustainable and affordable levels of service to customers and to meet the EU compliance requirements to which we are obligated to adhere. Proposals for the level of investment to meet those priorities are based on the Utility Regulator's assessment of what funding NIW needs. That was set out in the price control (PC) 10 final determination to cover the period to 2013.

The investment targets the need to maintain the high level of drinking-water quality and waste-water treatment, which, last year, were the highest that had been achieved. In relation to sustainability, planned investment will be targeted at reducing leakage and increasing the amount of energy obtained from green sources. The regulator has set some extremely challenging efficiency targets in that regard. To deliver those improvements, NI Water has embarked on a fairly extensive capital works programme over the PC10 period and has delivered 900 km of water mains for rehabilitation; four new trunk main schemes; quality improvements at two water treatment works; increased capacity at 13 service reservoirs, renewal of more than 70 km of sewers and quality improvements at 43 waste-water sites. NI Water has also addressed more than 100 intermittent sewage discharges that were unsatisfactory.

The recent interruptions to water supplies over the Christmas period highlighted the ongoing need for adequate investment in the water and sewerage infrastructure, and investment in years one and four of the Budget period is largely as expected. However, in years two and three, only three quarters of the desirable level of investment in water infrastructure will be afforded. It would have been even less than that had we adhered to the Department of Finance and Personnel (DFP) proposals, but we have bolstered that investment from other programmes.

Although there are some problematic funding issues in years two and three, it is still a significant level of investment: £203 million in year 1, £145 million in year 2, £140 million in year three and £180 million in year four of the Budget period. That uneven profile presents its own challenges in relation to delivery and it makes capital project profiling more difficult. NIW is considering the implications of that on the quantum of the spend. We work closely with the Utility Regulator on those issues.

The Executive will seek to claw in more revenue through the Budget period, and should any additional funding become available, we will allocate that to the priority projects to which I referred, such as the Knockmore and Lurgan railway, projects to advance road schemes on the A6 and water investment.

I mentioned that the current expenditure reductions will also be difficult to manage. DRD is the only spending Department that will take a year-on-year reduction over the four-year period. Indeed, our proportional reduction is higher than that of the other main spending Departments, falling by 12.2% in 2014, which is equivalent to about £62 million in that year alone. The reduction in current expenditure over the four-year period of the Budget is £163 million. The Department is treating those reductions as the overall savings target, but there are some other proposals to make further savings in order to allocate additional funding to help with the railway public service obligation (PSO) pressures.

It has been a difficult task to identify that level of savings. We have reviewed programmes right across DRD, and the only real areas of our budget that are being untouched are roads, PPP payments, public liability claims and PSO, for obvious reasons. We can divide the savings into the three areas. On roads, there are £85 million of savings, and we have to effect an increase in

income generation to reduce the pain of some of those savings. To generate income, we propose to increase existing car-parking tariffs by an average of 15% in each of the four years; increase the penalty for parking illegally from £60 to £90; introduce on-street parking charges into all towns and cities covered by the subregional transport plan; and extend the charging hours for all car parks and on-street car-parking places.

Further savings have been identified in technical adviser costs, depreciation, street-lighting energy contracts and a revised car-park services contract and maintenance. Full details are set out in the savings delivery plans. Members have not had a chance to study those yet, but they will be able to do so in the coming days. However, the draft Budget provides for existing levels of winter maintenance, and, based on average winter weather, Roads Service considers that provision to be adequate.

As far as public transport savings are concerned, the impact of the draft Budget on NITHCo is particularly difficult. No bids have been met to address the existing pressures, let alone the new pressures that we face. Therefore, reductions in current expenditure have been restricted to £9.5 million for the two bus companies over the Budget period. However, that must be viewed in the context of more than £50 million of pressures that have not been met: £30 million on the bus side and more than £25 million on the railway side.

The exact level of unfunded pressures is difficult to compute — it will depend on trends in concessionary travel, fuel duty and levels of rail service — but we estimated it based on recent trends. The pressures will probably be most pronounced in Northern Ireland Railways, particularly in the initial Budget period, but they will also apply to bus services. The draft Budget must be considered in the context of the overall NITHCo group's financial position and the impact that the proposal for savings will have on its profitability. I am sure that NITHCo and Translink will provide you with more information on that front.

The overall impact of savings and unfunded pressures on the two bus companies will result in a combination of fare increases and efficiency savings above the level set out in the outline business case for public transport reform. Despite anticipated increases in concessionary travel and fuel duty, the draft allocations restrict the level of revenue support for the bus companies.

That will require Translink to consider further ways of reducing costs and generating income, including from the fare box. To achieve further significant efficiency savings, it will be necessary to reduce services in Belfast and across the Ulsterbus network. That will be based on current and projected usage. Service reductions could lead to job losses, and Translink will need to bear redundancy costs, if there are any.

The overall impact of existing unfunded pressures on Northern Ireland Railways is fairly immediate. The projected shortfall in the level of public subsidy required in the context of the network's increasing costs, which resulted from the introduction of new trains, employer pension costs and rates and tax changes, is likely to result in fare increases, service reductions and possible redundancies, or some combination of those three. NITHCo itself will need to bear the costs of any redundancies. To mitigate the pressure on railways over the Budget period, the Department proposes to allocate about £13 million internally from additional savings and from a reclassification of capital expenditure. That is designed to help ease the existing and projected public service obligation pressures.

DRD is discussing with NITHCo the implications of the funding available — indeed, I will meet NITHCo this afternoon — and the impact of the savings and unfunded pressures on Translink. NITHCo will produce its corporate plan to show exactly how it will address the savings and what the impact on the business will be. However, it will not be able to do that finally until the Budget is ultimately agreed.

The proposals also include some scaling back of the rural transport fund, the transport programme for people with disabilities, the Rathlin ferry service, the concessionary fares policy, technical advisers and public transport reform. We will try to keep the level of that scaling back to a minimum, and every effort will be made to maintain the integrity of those programmes on the ground.

As far as ports are concerned, you will be aware that the Belfast Harbour Commissioners are exploring options to release the moneys identified in the Executive paper: £5 million capital in year one and £15 million current expenditure in each of years three and four. The Belfast Harbour Commissioners are working with the Department and have been asked to report to the

Budget review group by around the end of February.

As far as water and sewerage are concerned, the Committee will be aware that NIW has already been through the price control process and that savings of £34 million went towards DRD's 2010-11 savings target. Those savings had to be rolled forward into the current Budget period, and, therefore, there is less capacity to generate additional savings. However, the provisions pressure that NIW faces is expected to be less in 2012-13 than it was this year. Additional funding savings totalling about £19 million can, therefore, be identified from that year.

As far as administration is concerned, no allocations have been made to existing programmes or to the administration budget. However, the Department will have to absorb pay progression, other inflationary pressures and potentially increased hard charging from DFP for shared services. That is in the context of already having delivered administration savings of £5.4 million in 2010-11 and transferring £5.8 million to DFP for shared services. The Department proposes to absorb the administration pressures by natural wastage and by any savings that might become available when we work through the full implications of the Budget on staffing.

As regards switching money between capital and current resource budgets, I mentioned earlier that, to mitigate the pressure on PSO, the Department proposes to reclassify nearly £8 million from capital over the Budget period, which should help. The Department also proposes to reclassify a further £7.8 million from capital to current to mitigate the significant current expenditure reductions that we will face in year four.

That was a long overview, but, in conclusion, the draft Budget is a very difficult settlement for the Executive and for DRD. I took the decision not to sugar-coat the information to the Committee today.

The Chairperson:

I hope that you have not done so, Malcolm.

Dr McKibbin:

People need to understand the implications of these cuts to our budget. They are not without pain

to the Department and to the receivers of services. The Committee must be fully aware of that when considering the matter. Although we have been allocated capital funding to take forward a range of capital schemes, we wanted to do significantly more, particularly in the areas of road improvements, maintenance and PSOs. The Committee will also be aware that our programmes support the construction industry through jobs and the contribution that those make to the economy. As I said, we will, quite clearly, have to examine ways of increasing income generation and of addressing the unfunded pressures in NITHCo.

However, we are all conscious that the Executive are working within a fixed sum and that, if money is found for one area, another area will have to go without. Nevertheless, I would welcome the Committee's initial impressions — although, by the look on your face, Chairperson, I am not so sure. Once we get into the detail of what lies ahead of us in the consultation, a number of stakeholders and others will say that they need more of this, that and the other. I agree with them; we certainly will want more money. However, it will have to be put to them that, if they want more in one area, we would welcome their assistance in identifying a lower priority area in which they believe that expenditure should be reduced. We would find that particularly helpful, rather than simply receiving claims for further expenditure.

That is as much as I wish to say at the moment. We are happy to take questions and/or comments.

The Chairperson:

These are the first cuts that we have had of this nature, and, speaking for myself, I am stunned by some of them. I have several concerns: the vast majority of money is being spent on two roads and, despite this Committee's supporting public transport over many years and encouraging the Department to provide new trains and buses and more access to public transport, we are now in reverse. We will have less public transport, dearer fares and a reduced service.

Secondly, over the years, Committee members have spent a huge amount of time discussing rapid transit, thinking that we were in the process of delivering such a system. I am disappointed to hear that there will be no movement on that.

I am also concerned about rural transport. We have discussed the issue of people who live in rural areas and are socially excluded from society and how we can help them. The move to address that has practically disappeared. I could go on and on, but members of the Committee will have their say.

I have chaired the Committee for four years, since the beginning of the mandate. Members of the Committee had a vision of what they wanted to achieve in public transport and had a new vision for Northern Ireland based on that. Part of that vision was that cars would be taken off the road and that people would use trains and buses, which would have had a positive environmental impact on us all. All of that has been destroyed. The Committee will have to go through the proposals. These are only my initial remarks.

The other issue that genuinely worries me, and has worried the Committee from the beginning, is that of road maintenance. Many companies skip maintenance for a couple of years when they get into financial difficulty, because it is an easy way out. This is the fifth year in which there has been a huge underspend on road maintenance. The red lights have been flashing: outside experts told us that you spent 40% less on road maintenance than you should. That has been happening over a protracted period. Other members can give their views, but I have noticed deterioration even on main roads, never mind rural roads. I wrote down what you said about road maintenance during “average winter weather”. Will somebody explain to me what constitutes average winter weather?

I must say that I am deeply disappointed by your proposals.

Mr McDevitt:

Mr McKibbin, before you even published your spending plan, your Department was the big loser in the draft Budget, was it not?

Dr McKibbin:

On the resource side, there are significant reductions.

Mr McDevitt:

Therefore, it is clearly not a political priority for anyone.

Dr McKibbin:

The Executive have made their decision on allocations to Departments.

Mr McDevitt:

Let us look at the specifics. I have had a chance to look at the proposals; thank you for providing the detail. I am sorry that my questions might be a little off the mark, but I have only just had a chance to read the proposals.

Roads Service maintenance concerns us all, whether we are in rural or urban constituencies. However, to be fair, it is a greater problem in rural constituencies. You concede that problems will not be fixed unless there is a specified safety reason for doing so. Essentially, you are saying that defective surfaces and litter in car parks will not be dealt with, that there will be longer grass and more weeds on road verges, that there will be poorly maintained street lights, that road signs will be cleaned less frequently, that there will be poorly maintained road markings and that there will be an increase in the number of blocked gullies. In other words, there will be more accidents and more flooding.

You are happy to submit budgetary proposals that preside over less safe and less sustainable roads, even though you are already the most polluting Department in the region. You have just published a regional development strategy that puts sustainability at its core. How can you do that credibly? How can you do that one day and present these is draft proposals on another day? It is an insult to the public.

Dr McKibbin:

Are you finished?

Mr McDevitt:

Yes, go ahead.

Dr McKibbin:

I will pick up on the Chairperson's points as well.

In answer to whether the vast majority of funding is being spent on two roads, 70% of the capital allocation to roads will go to the A5 and the A8. Therefore, the Chairperson is absolutely right. The cost of those projects is £790 million, of which £274 million is coming from the South. That is a major issue for the Department. We do not have the discretion to change that, because the money was contractually committed as part of an international agreement on the scheme. Therefore, we do not have flexibility on that funding.

Are we facing a difficult Budget with difficult choices? Of course we are. We are talking about a 40% reduction in capital across the block grant and a £163 million reduction in current funding to our Department alone. We have made decisions about the most appropriate place to take those reductions. If someone asks me whether I wish to cut structural maintenance or environmental and routine maintenance, the answer is that I do not. However, I live within a budget, and when we as a Department look at the alignment of our objectives and consider safety generally, those are the most appropriate places to take those hits.

We have bolstered significantly the structural maintenance budget from that which was proposed originally. Although we are still £50 million per annum on average down compared with the structural maintenance funding plan, that is not that different from the position over the past four years. Therefore, there is a similar level of funding in the area of structural maintenance.

Mr Geoff Allister (Department for Regional Development):

The Chairman raised the question of what constitutes average winter weather. To assess average winter weather, we used the weather conditions over 10 years, not including this year and last year. We fully realise that the situation has now changed, and that is what drove a review of winter maintenance in GB, and we will study that. The comment was simply that, based on the average figures, our provision is adequate. Whether that provision is adequate going forward is another question, and we must come back to that.

Mr McDevitt made a point about road safety. First, all maintenance activities on the Roads Service side relate to safety. In the information that we provided on a reduction in maintenance activities, we say that we will review our road maintenance guidelines to ensure that the more urgent maintenance that relates to road safety can be delivered. Therefore, we are prioritising road safety, and we are conscious of the impact on road safety of any savings that we have to produce.

Mr McDevitt:

You cannot say that abandoning road markings, paying less attention to signage and to verges and neglecting gullies will make roads safer. It will not. Your paying less attention to signage will make signage less visible, and, by your own admission, neglecting gullies will lead to more localised flooding. That is about as credible as saying that you have based your presumption on a 10-year average that excludes the two peak years in that 10-year period, but we are bound to that for another four years.

I must bring you back to your wider policy context. You send your Minister out and about and into the House to make speeches that put sustainability at the heart of everything that he does, but you do not follow up on that. By giving him no money to deliver on those promises, you are teeing him up for another crisis.

Dr McKibbin:

It is important that I pick up on the fact that we do not give the money to the Minister.

We are not abandoning road markings. This is not rocket science. The more money that we have to invest in the road network, the better and safer it will be. With less money to invest, the road network will not be in such a good condition and, therefore, there is a greater need for us to target acute safety issues.

If you are saying that you are disappointed that the road network will not be in the condition that you would like, I agree with you. However, we have to cut our cloth to match. You have not had a chance to study the detail of the paper. However, if someone has an idea, even from a strategic perspective, about where we should focus further cuts to release money for structural

maintenance, public transport and other sets of activities, please suggest it.

The Chairperson:

That is more your job than ours. We have enough to do in this job, Malcolm.

Dr McKibbin:

Yes, but I welcome your comments.

The Chairperson:

Some people could say that that is a cop-out. We do not have the information that you have.

Dr McKibbin:

It is not a cop-out. We provided a paper showing what we think is the best way to use the resource.

The Chairperson:

We saw that only this morning, Malcolm. We have not studied it. Do you accept the reports that state that, over a period, less money than required was spent on road maintenance?

Dr McKibbin:

That is correct.

The Chairperson:

That is becoming a trend; it is not a one-off. You must also accept that, if you do that over a year or two, you can get away with it, but doing so over a protracted period, as is happening, will have an impact.

Dr McKibbin:

You are correct to say that spending less will have an impact.

The Chairperson:

I know that it will. You know as well as I do that, if less money is spent on maintenance this

year, it can be made up next year, and something can be done about it. If the amount of money on maintenance is reduced over five, 10 or 15 years, it will have a major impact on the roads infrastructure, and that is what is happening.

Previously, Geoff and others told the Committee that not enough money is being, or ever has been, spent. The Committee received a report from a specialist that stated that you spend only 60% of what is required.

Dr McKibbin:

I agree with that.

The Chairperson:

I know that you do, but nothing is being done. It is still the case that less money is being spent.

You mentioned the contractual arrangement for two roads. Following comments by Eamon Gilmore down South, I asked the Minister about that. He said that, if his party were in power, it would not give £400 million to roads north of the border. If that £400 million were to be withdrawn, where would we be?

Dr McKibbin:

That is regarded as a contractual commitment because it is an international agreement.

The Chairperson:

Where would we be if the money was withdrawn?

Dr McKibbin:

If that money were withdrawn, we would assess how much capital money it would free up in the DRD budget and allocate that to our priority projects.

The Chairperson:

My point is that we are only contractually bound providing that the Republic of Ireland makes the money available.

Dr McKibbin:

The Executive here have no intention of withdrawing from that commitment. That is the best way for me to present the situation to you.

The Chairperson:

Turn it round the other way for me: if someone from the Republic of Ireland were to ring tomorrow morning to tell Mr Wilson that they were not going to spend that money, would we be free to re-examine the capital expense?

Mr Allister:

The Executive would have to come to a decision on that.

The Chairperson:

The Executive would re-examine the capital expenditure budget. Is that right?

Dr McKibbin:

They would. I expect that, within DRD, the Minister would then have the ability to reprioritise where that capital money would go.

The Chairperson:

It is a pity that we cannot reverse that and ring down South to say that we are not going ahead with the two roads because we need the money to do other things.

Mr Leonard:

Folks, you are very welcome. Thank you very much for the detail that you provided. This is where the financial rubber hits the road, but that is a bigger economic issue for another day's debate, which is one that I am sure would not be appropriate to this room.

I am glad that you confirmed that you do not dish out money to the Minister. However, in getting to the serious stuff, Malcolm, I will concentrate on three points.

I want to talk about structural maintenance and the 60% figure that the Chairperson mentioned. I want to get down to the nitty-gritty: how can we help to protect people's safety? There is a capital aspect and a resource aspect to structural maintenance. Given all the difficulties, which we could kick around the room for another two hours without tarmacking a single bit of road, how can we achieve maximum flexibility to maximise safety through structural maintenance? I have a vision of certain types of works on the capital side, and we all know the form from our work on councils, on the Committee and in this place. However, how can we combine the capital and resource aspects of structural maintenance to maximise the two? I am interested to hear where you feel that you are going with that. I ask that without even making the difficult point that you spend only 60% of what is required on structural maintenance. That is a genuine point and one that I respect.

Over the Christmas period, many people were not visited in their homes and businesses, big and small, by those who could attempt to reduce water leakages. There are many aspects to what happened over Christmas. I will not go into the communication aspect of that, but I will talk about the structural element.

I find it difficult when you talk about spending less money in years two and three than in years one and four of the Budget period. I know that you have a balancing exercise to do. However, given the disaster of the past Christmas period, and winter has not passed yet, front-loading the maximisation of work on leakages would have been more sensible. Given people's experiences over the past number of weeks, I cannot understand, even from an economic perspective, why you would carry out certain work in year one, let that slip in years two and three and then inject more money in year four. Is there not a way to front-load that work to better effect?

My third concern is about jobs. When talking about transport, you mentioned that there will be job losses. I wonder what types of jobs will go. I do not want to use that in an emotive way, but I am fearful that there will be the usual categories of job losses. Will middle management in the Department and its associated organisations be protected whereas the ordinary person will be hit harder? No matter where we are and no matter on which Committees we work, it always seems to be the ordinary guy and woman who get hit while middle and senior management just keep on marching to the bank. What is your vision of the types of jobs that will be affected?

Dr McKibbin:

I will deal with a couple of those points and then pass across to Geoff and Doreen. I will pass across the point about structural maintenance to Geoff in a second.

There is pressure on the capital budget for water. When we first received the proposals from DFP, we had £100 million to invest in years two and three. As we believe that we must continue to invest in the water infrastructure, we took £45 million from other programmes in year two and a further £40 million in year three to bolster investment in water in those two years. However, the ring-fencing of the capital budget for the A5 and A8 schemes has had a big impact and makes it more difficult to squeeze out more money to invest in water infrastructure in those years. That sucks up the vast majority of our discretionary capital expenditure. We have gone as far as we can to increase the water spend in years two and three. In fact, we have increased it by 45% in year two and by 40% in year three.

Mr Leonard:

I am sorry for interrupting you. I take your point about the pressures, but why leave the bigger amount until year four? Is there no room for movement to bring forward some of that money? A bigger financial push would be a sounder investment. I know that I can ask the question, and I respect that you have to work with the columns of figures.

Dr McKibbin:

I agree with you. It is the same point that the Chairperson made about structural maintenance. The earlier that maintenance is carried out, the greater the benefit, because there is less time for the infrastructure to decay further. Our problem is that each year's capital budget is set, and we do not have the ability to move money from one year to another; we can move money only from one project to another. As I said, the A5 and A8 schemes, along with other ring-fenced allocations, the details of which are shown in the paper that we provided to members, limit our ability hugely. In effect, we would have to start taking money away from safety schemes or from structural maintenance to fund it, and that is the difficulty that we faced. We looked at it long and hard, and that is our best call about the most appropriate balance.

As regards job losses, I think that I said likely redundancies. I am trying to be reasonably careful with my words, because it is not up to me to determine how Translink — I see that Ciaran is here today — and NITHCo determine their business. As far as the Department is concerned, I said that we would try to deal with the issue largely through natural wastage. We expect natural wastage to be in the region of 67 to 80 people per annum. Over a four-year period, therefore, you can work out that we would expect to lose between 270 and 320 people. It is difficult to be exact because, for example, retirement ages are different, and one cannot be sure of when people will leave their positions. Redundancies are likely to affect all grades. In fact, it will probably hit senior grades more because more people retire from those.

Mr Leonard:

Excuse me again, but those are the senior grades of particular types of jobs. I am worried about middle and senior management being a more protected species than the ordinary working person.

Dr McKibbin:

No. We will consider what is needed to deliver each functional area. There is no intention to protect senior or middle management at the expense of front-line services. In fact, the policy direction from the Executive, and, indeed, from the Minister, is to try to protect front-line services as far as possible.

Mr Leonard:

I appreciate the delineation between the Department and other agencies, as the cuts will not affect only one particular group. In your management mind, is there no protection of bloated management?

Dr McKibbin:

Absolutely not; take that as an assurance.

I want Geoff to pick up on the point about structural maintenance, and Doreen may want to say more about NITHCo and Translink.

Mr Allister:

Our roads maintenance strategy is driven, to a large extent, by the amount of money that we have available. The two points that were made about maximum flexibility and maximum safety are two of the underpinning criteria of our strategy.

First, safety is the absolute priority. Secondly, we prioritise clearly across the network, and the more heavily trafficked routes, including footpaths, are prioritised at the top of the network. Obviously, that has a downside for lesser-used rural roads, and you have only to drive on them to see that. Nevertheless, that is the strategy.

We do all that we can to minimise the amount of patching, because patching serves only to provide protection from public liability claims and accidents. Therefore, we are trying to minimise the amount of money that we put into patching and put as much as we can into resurfacing, which improves the life of the asset. We also make effective use of surface dressing, which prevents water ingress, gives a good skid-resistant surface and can hold a road together and prevent it from deteriorating as quickly as it otherwise might. Professor Snaithe applauded that strategy in his report. He said that he was content that Roads Service was making the best use of its resources and targeting them in the right areas. Thus we got a tick in the box on that.

An ongoing piece of work in Roads Service is examining how we deliver our maintenance services. We are comparing ourselves with other road authorities across these islands. The report is not complete, but the emerging findings show that we compare favourably with other areas, particularly on overheads. We do not have massive overheads. Most of our money is invested in front-line services and delivering the work on the ground.

Mr Leonard:

Geoff, I thank you for that. I want to come back on just one point, and far be it from me to disagree with a great professor.

Mr McDevitt:

You are an academic.

Mr Leonard:

I appreciate your point about the strategy, Geoff. You spoke of more heavily trafficked routes and lesser-used roads. However, once we start using that language, we seem simply to build a wall and say that money will go to one and not the other. Rather than using “lesser used” in the strategic thinking on rural roads, is there some way to consider some of the most important access routes in rural areas? If you simply categorise all rural roads as lesser used, you forget about access to schools and those routes that the majority of people use in rural areas. Is there not a way to revise the strategy at least to alleviate some of the neglect that rural people feel from year to year?

Mr Allister:

The prioritising of main roads does not mean that we do not invest anything in the minor road network. We do, but it is a question of balancing expenditure. I will give you an assurance about the categorising of roads: we do not apply our road maintenance guidelines according to road categories; we take traffic volumes into account. There are quite extensive traffic volumes across the network. However, you make a good point, and we are happy to revisit that matter to ensure that we have got the balance right.

Mr Leonard:

If that strategic thinking were to change, it would ripple out to many different aspects of the roads, which would be much better for the people.

Ms Doreen Brown (Department for Regional Development):

I underline what Malcolm said about Translink. If there are to be job losses, the expectation is that there would be no protection for any particular part of the organisation and that job losses would not occur only at the front line of service delivery. Obviously, there will have to be job losses there if funding is insufficient to cover all existing services. However, given that Translink, as most organisations, is a pyramid, if there are job losses at the bottom, there should also be relatively the same number of job losses all the way up.

The Chairperson:

May I just say make one point about natural wastage? People think that it involves no pain, but

the organisation becomes smaller and, therefore, there are fewer jobs. Natural wastage is not painless. People may think that natural wastage does not really matter, but it means that the organisation will not provide as many jobs today as it did 10 years ago. The issue for us is that it means a downward movement in the economy. Another major issue is the impact on public transport. There will be fewer buses, fewer staff and, probably, a poorer service. Therefore, the issue is not only that of job losses, but of the impact on the service.

Mr Boylan:

I thank the officials for their presentation. I will follow on from some of the points made. Two or three main areas will be particularly affected. I agree with my colleague. Given the recent experience — everyone saw the news coverage of NIW — front-line services are extremely important. I want the Department to take that on board. That is the major factor, and it must be taken into account.

I am disappointed that the Department is focusing on the easy targets, such as rural transport, which the Chairperson mentioned. It is easy to do that, Malcolm. The Committee will have a chance to re-examine your paper in detail, but it seems that the easy targets are always hit.

You say that one of your objectives is to support the economy through planning. What about all the priorities that you highlighted that will not be achieved? Has the overall impact of that been considered? How does that support the economy? You mentioned that the A6, A2, York Street projects and others cannot proceed. Will you tell us about the economic impact of that?

Like the Chairperson, I am a lifer on this Committee and, from day one, we talked about structural maintenance. Geoff, should the damage that was caused over the past month or so not be assessed before determining the budget for road maintenance? When will we have that assessment? We do not have to travel that far to see the damage that has been caused already, and that has had an impact on the situation. The Chairperson questioned what was meant by an “average winter”. Serious damage was caused during the recent period of bad weather. How will that impact on the Department’s budget? Until we receive an overall assessment of the damage, that must remain under review.

There are now two reviews of the recent water problems, and a certain amount of money is being allocated to NIW for that purpose. Surely to God we need to find out exactly what problems occurred within the mains infrastructure. Billy touched on the fact that that must be examined first. How does the Department assess the damage, and how can the Committee have an influence? The money that goes to NIW must be evaluated. The mains infrastructure must be reviewed, instead of pumping in a certain amount of money only to find out within the next three months that, for example, most of the infrastructure is made of cast iron pipes. That must be examined before giving the go-ahead to an amount of money for NIW to carry it out. Do we have any influence with the Utility Regulator on his decision on PC10? We must revisit that issue, but how should we go about it?

Dr McKibbin:

Let me explain our contribution to the economy. The Department's desire has been to upgrade the strategic road network with a particular focus on removing bottlenecks et cetera, because that is where the biggest cost-to-benefit ratio arises. By not proceeding with those schemes, and, as we continue to expect traffic to grow, journey times are clearly likely to increase to some degree, and journey time reliability will be impacted. Both those are key elements of business planning, and, therefore, we will not reap some of the benefits that we otherwise would. Targeted roads investment tends to have a positive benefit-to-cost ratio; normally of several times to one. As I said, the benefits associated with that will not accrue. There will be some benefits if the A5, A8 and Cherrymount link schemes go ahead, and, as members know, we opened the A1 scheme at Beech Hill, Cloghogue, Carland Bridge, and so on. Therefore, there have been some recent improvements to the network, although not to the extent that we desired.

There is, in fact one water review, which consists of two parts, under way, and that was commissioned by the Executive. The Utility Regulator is reviewing the operational response, primarily that of Northern Ireland Water. The two appointees of the First and deputy First Minister will comment on the recommendations from the regulator and the issues that he raises. They may well wish to focus on areas in which there is a perceived conflict of interest for the regulator. One such area may concern the regulator's setting what he believes to be the appropriate infrastructure spend level. The two appointees will also examine the role and responsibilities of the Department and the Minister in the recent freeze-thaw incident. Therefore,

the regulator has the primary duty to establish what level of infrastructure investment is required, and that will continue for as long as we persist with the existing governance structure. That is where responsibility for that lies, but, as I said, as part of their review, I imagine that the two appointees will review whether that is appropriate.

The Chairperson:

Sorry, but they will consider whether what is appropriate?

Dr McKibbin:

Well, a number of people have been saying that the regulator is the right person to carry out this review, but he is potentially conflicted over the area of setting the level of investment in the PC10 and PC13 business plans.

The Chairperson:

Are we saying that the two individuals appointed by the First and deputy First Minister are qualified to tell us what the investment in Northern Ireland Water should be?

Dr McKibbin:

They may well come to that. The regulator is also supplementing his own expertise by engaging people from, the last time I heard, three separate UK utility companies. However, the Executive's remit for the two people appointed is to review — in the areas in which they believe it appropriate to do so — the recommendations brought forward by the regulator, plus the roles and responsibilities of the Department. That is how I read their brief.

Mr Boylan:

Malcolm, you know where I am going with this. We do not want to wait until that point. We need to find out exactly what went wrong. I know that communication is a big issue, but we need to nail down exactly where the problems lie and what we are putting money into, so that it does not happen again. There is no point in our saying the same thing in three months' time. Work has been undertaken that led to pipes and meters not being buried deeply enough. What is going on at the moment is ridiculous. We will study your draft proposals, but that message needs to get through now. I know that the responsibility falls to that review, but we need to get that message

out. All I am saying is that that is the type of information that we need to receive.

Dr McKibbin:

One of the questions being pursued by the regulator as part of his review concerns the root causes of the problems that were experienced, and that will require some assessment of the infrastructure.

Mr Allister:

May I elaborate on what Malcolm said about the economic benefits? We have had the debate here, and I do not think that anyone is terribly happy about the level of structural maintenance going forward. However, I emphasise that, given the pressure that we are under, holding that at the current level is important, because structural maintenance is a resource-intensive activity, as I outlined in my presentations to the Committee in Enniskillen. It is a resource-intensive activity that engages many local suppliers who are spread across the country, and we have much work to do on the design, but it helps to protect jobs.

The second point concerned an assessment of the recent damage, which is under way. We have done a fair amount of that through regular inspections, and we are already carrying out repairs. The other assessment that we do will feed into our resurfacing programmes in 2011-12. Although we may not be happy about the overall level of structural maintenance over the four-year period, the total for structural maintenance in 2011-12 is £94 million, which is up from £70 million. The £94 million that will go into structural maintenance in year one is as much investment as I can recall in my time. That will be very timely and helpful in addressing the damage that has been caused.

Mr Boylan:

Given the programmes that you set out for 2011-12, will you be able to reprioritise if necessary?

Mr Allister:

Absolutely. We draw up a long list of schemes, which give us the flexibility that I mentioned. We can dive in and out depending on how circumstances change.

Mr G Robinson:

I appreciate that we all face challenging times, but I have several points to make. First, I would like Malcolm to elaborate on some of the bigger schemes that he mentioned, such as the Dungiven bypass. The pollution in that town and in the surrounding area is well documented. I wonder how the amount of traffic that passes through Dungiven will be addressed in future plans. I am worried, because he mentioned that such schemes could slip. I encourage the Department to look favourably on that scheme. As I said, I appreciate that we live in challenging times, but many people are being affected, and their health is at risk.

My second point is about public transport, particularly from Ulsterbus's point of view. Malcolm did not elaborate on that, but I am worried about town services. Those services are of great benefit to many people, such as the elderly, who need to get out and about to shop. I would like to think that the Department will try to protect those services as much as it possibly can. It is not easy, given the reduction in the Department's budget. There are also issues relating to the rural transport operators, who do a wonderful job, particularly for elderly people and folk who are infirm. I want the Department to keep those issues uppermost in its mind.

Dr McKibbin:

I will address the Ulsterbus and rural transport issues in a moment. There is no doubt that the Dungiven bypass would be an extremely good scheme that would produce real benefits on a number of fronts. We have said that, over the Budget period, we will put money into continuing the development of the full A6 scheme to ensure that, whenever additional money becomes available, we can utilise it. The likely cost of the Dungiven bypass scheme, if carried out in such a way that it would tie in ultimately with the full A6 scheme, will be between £90 million and £95 million. That amount of money is not available to us during the Budget period. I said earlier that, if the Executive were to receive more revenue that could be utilised on the capital front over the Budget period — the Executive are looking at ways of increasing revenue — the A6 scheme would be one of our priorities.

Mr G Robinson:

You mentioned a figure of £94 million for structural funds, and so forth. Will some of that money be spent on alleviating problems at the Castledawson roundabout from the Derry

direction? There are two or three yards of potholes there, and I nearly lost my steering there this morning.

Dr McKibbin:

We are not down at the level at which we cannot fix a pothole on a main road. We have money that will allow us, as Geoff said, in year one in particular, to carry out a larger structural maintenance programme than we have done in recent times. We also have a local transport and safety scheme budget, which can be utilised to improve specific areas where issues arise. I am hopeful that we will be able to address concerns in that area.

Mr G Robinson:

Remember those potholes.

Dr McKibbin:

OK.

Miss McIlveen:

That roundabout is not even in his constituency.

The Chairperson:

I do not want to beat the issue of road maintenance to death. Geoff said that the allocations in each of the four years would be £94 million, £52 million, £56 million and approximately £80 million respectively. Therefore, over the next four years, you predict £200 million less for road maintenance, in which investment is already low.

Dr McKibbin:

That is right.

The Chairperson:

People should not be diverted from the gravity of what we are talking about here.

Dr McKibbin:

Absolutely.

Ms D Brown:

I would like to pick up on the points that were raised about Ulsterbus and town bus services. We have yet to discuss with Translink how exactly it will be able to live within the funding available. We do not have details of what service changes Translink will have to make, but it is only fair to say openly that town bus services will not necessarily be protected. Much will depend on the extent to which they are used. Some town bus services are doing quite well, whereas others are greatly underused and are, therefore, expensive to provide.

I take your point that, if town bus services were reduced or abolished, what would happen to the most vulnerable people, such as the elderly? There is scope to fill that gap with the urban door-to-door service, which can pick up on the needs of such people. We envisage some reductions in the rural transport budget, but we have tried to limit them as far as possible. The way in which we envisage those being implemented is that the rural transport partnerships will concentrate their services on those who need them most. That would involve focusing on the isolated, the elderly and the disabled and, possibly, reducing services for group travel, which is largely undertaken for more social reasons. We will have discussions with the rural transport partnerships to determine how the reductions can be accommodated without impacting on the quality of service that can be provided to those who need the services most.

Mr G Robinson:

I would like to think that you can protect jobs as much as possible because, as the Chairperson rightly said, job losses will have a considerable impact on the entire service.

Ms D Brown:

We want to minimise job losses, but it is a fact of life that the cost of transport services is largely made up of the cost of wages. It is difficult to reduce costs without having some impact on the number of jobs.

The Chairperson:

That is not the issue, Doreen. The issue is that we have been in support of public transport. What is happening here will kill public transport. On numerous occasions, we discussed how important public transport is and how the Executive and Assembly must meet their environmental obligations on emissions. I think that you are missing the point, which is that we support public transport. You would have to pay for and subsidise public transport, but community and environmental benefits would accrue from that, which is something of which no one in the Executive seems to take any bloody notice.

Ms D Brown:

I come back to the point that I cannot protect public transport unless I get additional resources.

The Chairperson:

I know that, but our point is that we are supporters of public transport. We want people back on trains and buses, because there are far too many cars on the road. The environmental impact cannot be written down as a cost, but we have a duty and obligation. I am not saying that there is no cost issue; of course, there is. However, it is also a matter of prioritising spending, and I thought that the Department was in the process of fighting for public transport. If you raise fares, cut services and do not acquire the trains that you need, the number of people using public transport will fall. You tell me that logic means that you need more money, but the point that I have just made is logical, too.

Ms Lo:

I endorse what the Chairperson said. It is a huge disappointment that you are not prioritising the retention of front-line bus and train services. We are already poor at providing public transport, and reducing it will not discourage people from using cars. Rather, it will encourage people to continue to use cars. I understand that it is an extremely difficult budget for the Department to manage, but it is a question of prioritising. No one likes to work with a reduced budget or to scale back services. However, it is hugely disappointing that front-line services are being targeted.

I would like to return to the issue of investment in water and sewerage infrastructure. I

understand what was said about years two and three, which is that the Department has other pressures and must, therefore, reduce that investment by one third. To what extent will the reduction in years two and three delay the whole investment process? I calculated your four-year investment total as £668 million. Reports state, rightly or wrongly, that an investment of £1 billion in the water and sewerage system is required. How much further behind will we be in upgrading the system to a twenty-first century structure?

Annex 1 of your paper refers to the reduction in expenditure on technical advisers and to depreciation. I am not an accountant, but I have read annual reports. Is depreciation not a paper exercise rather than real money?

Dr McKibbin:

I will make a couple of points and then pass over to Roger Downey to address some of the other financial issues.

It is not that we are not prioritising public transport. Within our budget, we are trying to find an appropriate way of taking cuts of £163 million on the resource side over four years. It is impossible to protect public transport absolutely. If we did that, we would not be carrying out routine maintenance on the road network. There is a balance to be found along the way. We have tried to put forward our view of the appropriate balance, bearing in mind the Department's objectives.

Last week, Trevor Haslett sat in front of this Committee and commented on the fact that, here, we invest about 1.1% each year in water mains. GB has been replacing a much higher proportion of water mains for a much longer period. Therefore, we must catch up on investment, but that is set against the backdrop of a 40% capital cut. We cannot ramp up investment, because we do not have the money to invest. We have not reduced the water infrastructure proposals by 40% over the four years. In fact, we have protected that investment in years one and four and reduced it by only 25% in years two and three. There has been a high level of protection in that area.

Roger will comment on the points about depreciation and technical advisers.

Mr Roger Downey (Department for Regional Development):

Depreciation on the trunk network falls within the departmental expenditure limit, and it is a charge to Roads Service. It needs departmental expenditure limit cover for that expenditure. The work that Roads Service has undertaken over the past few years, and the two PPP packages, mean that there has been considerable investment in the trunk network. Therefore, there is scope to make savings on depreciation, and those have been included in our paper. I will discuss the international financial reporting standards (IFRS) changes and depreciation in the next session, so I can take the Committee through that in a wee bit more detail then.

Mr Allister:

The reduction in spending on technical advisers simply reflects the fact that we will do much less planning and feasibility work on the capital programme because of the issues that we have addressed already.

Ms Lo:

Malcolm, you have still not answered my question. What will be the negative impact of taking away 25% of planned investment in years two and three? How many years will that set us back in achieving the overall aim of having a good, up-to-date water and sewerage infrastructure?

Dr McKibbin:

I am not able to give you a number of years, because our investment pattern changed in recent years, during which we tended to focus on waste water compliance, which, largely, we have got into a much better space. There is an opportunity to increase investment on the water mains side, but I cannot give you an answer as a number of years. I could ask my Water Service colleagues to hazard a professional estimate and come back to you.

Miss McIlveen:

Thank you very much for coming along this morning to present the proposals to us. There is a general acceptance that we are in very difficult and challenging times. I cannot overemphasise how concerned I am by the proposals, because they mean that we are starting to feel pain.

I represent a rural constituency, and if you were randomly to lift some correspondence from

my file, it would tick many of the boxes on potholes, weeding, rural transport and accessibility. All of those issues hit close to home, which is my concern. Given the problems with current spending levels, what will the situation be with future spending levels?

I do not want to rehearse what was said about public transport and structural maintenance, because the Chairperson covered that very well. Malcolm, you mentioned that, if additional moneys were to come to DRD, you would review your priorities. If that additional money were to come to the Department, what would be your priorities?

Dr McKibbin:

My view on that reflects what I said in the presentation. As I said, we would try to remove certain bottlenecks in the capital road schemes. We would address the Lurgan to Knockmore rail scheme, because we do not want speed restrictions to be introduced on the Belfast to Dublin line. We could accelerate work that we planned on the capital structural maintenance side. If the money came on the revenue side, we would be able to assist the revenue support to public transport. We would also invest in water infrastructure. Our priorities are the major headline ones that everybody around the table would like us to address.

Miss McIlveen:

The problem is that there are so many competing priorities.

In relation to the rural transport fund, you mentioned a reduction in funding to the Community Transport Association (CTA). Can that reduction be quantified?

Dr McKibbin:

I will let Doreen answer that.

Miss McIlveen:

In answer to George's question, Doreen mentioned the door-to-door service. Will that provision be increased where town service provision is reduced?

Ms Brown:

I will start by answering the question about door-to-door provision. The door-to-door services will need to be refocused. That is an area in which we will also be under pressure for funds. It is likely that the emphasis will be more on services that are provided between 9.00 am and 5.00 pm, with less provision in the evenings. That already follows current patterns of usage to quite an extent. I said that, in rural transport, there may be a refocusing on core priorities and on the core business of dealing with the neediest and most isolated. The same will happen with the door-to-door provision. To live within a restricted budget, there will have to be an emphasis on where the need is greatest. Even within a reduced service, there could still be scope to enhance the service for the elderly, the disabled, and so forth.

The reductions in rural transport are comparatively small, somewhere in the region of £300,000 a year. I accept that it does not have the biggest baseline in the world and that any reduction has an impact. Therefore, we will have to discuss with the providers of the services how those cuts, should they be confirmed in the final Budget, will be spread and what the impact will be at a local level.

Miss McIlveen:

Again, the impact could be on jobs.

One other point mentioned in the presentation will, in the type of constituency that I represent, have a dramatic impact, particularly in and around market towns, is on-street parking. The difficulty in the current business climate is that shopkeepers find it incredibly difficult to compete with out-of-town shops that have free car parking. On-street parking charges will clearly impact on those types of towns. Has there been consultation in advance of the introduction of that with the Federation of Small Businesses, the Northern Ireland Independent Retail Trade Association, and so on? What is the projected income that will be needed to offset the impact of that?

Mr Allister:

We have not yet started any detailed planning. In respect of the likely reaction, it is interesting that Newry, which is one of the cities with on-street parking, approached us with a view to our introducing it. We introduced it into Newry, and we are told by the Newry community that it is

very successful. There is, therefore, a model there. Belfast and Lisburn —

Miss McIlveen:

Clearly, that does not always work. Every town is different.

Mr Allister:

Absolutely. That is why I said that we have not yet got into the detailed planning. As for your other question about income, you will have to give me a minute or two so that I can go through the papers.

Dr McKibbin:

The introduction of on-street parking controls sometimes facilitates increased turnover. Traders in some of the market towns get extremely frustrated with people parking outside their premises virtually all day. The introduction of restrictions and an element of charging can help to keep traffic turning over. As you say, Miss McIlveen, we will have to consider carefully the circumstances of each town, but that does not necessarily mean that there will be a bad outcome.

Miss McIlveen:

I am familiar with the towns in my area, and they have a one-hour turnover anyway. We also have lots of red coats in view at any time, so there is regulation. I do, however, understand your point.

Mr Allister:

The other point is that we have some time to introduce charging. It will go through the planning and consultation processes, because we plan to introduce it in the second year of the Budget period, which is 2012-13. Across Northern Ireland, we plan to raise £2 million and, in 2013-14, that will rise to £4 million, and the amount raised will remain at level in the third year after its introduction.

Miss McIlveen:

That is fine at this stage, because I know that we will return to the matter.

Mr F McCann:

You commented earlier about the statement by Eamon Gilmore. He made a big play of making that comment, because he is a politician in opposition. All other leading parties said that they would fully support the investment. Therefore, we must put his statement in context.

Paragraph 11 of Annex 1 states:

“The overall aim of the Department is to improve quality of life by securing transport and water infrastructure and shaping the region’s long-term strategic development.”

Surely the cuts will affect your ability to deliver that in the short to medium term.

Dr McKibbin:

Yes.

Mr F McCann:

In the area that I represent and in which I live, there have been major vandalism of, and maintenance difficulties with, street lighting. It seems to have been suggested that the service of street lighting in areas will be seriously impacted by the cuts. I want to put a marker down that, in many areas, especially in cities, there are serious problems with vandalism and antisocial activity. Areas have been left in total darkness over the winter because of the problem. I would hate to think that communities will be left that way for lengthy periods because of reductions in finance.

Recently, the Department embarked on a major consultation on the restructuring of roads to promote public transport. Will the service, certainly in the greater Belfast area, or the new policy be affected by any cuts?

Dr McKibbin:

I will let Geoff pick up on the street lighting point.

Mr Allister:

We are not planning any widespread changes to street lighting provision. I can only assume that you are referring to a comment in the document about key risks and dependencies. We talk about the possibility of alternative efficiency savings needing to be found, such as the dimming or

removal of street lights or the introduction of shorter burning hours. The savings on street lighting are through the procurement of the contract. We have already driven down the procurement of that contract. We have procured from an alternative supplier and have about £1.4 million of savings to take across through the Budget period. Bear in mind that most of what we have put in front of the Committee is at the planning stage. If those plans do not deliver or are not sufficient, we will need to look elsewhere.

In considering street lighting, we need to be aware of the wider environmental issues and the carbon agenda. Elsewhere, there is a wide-scale switching off of street lights on urban distributor roads, for example. We will need to look at that in the future, but it is not planned in any widespread way as part of our current proposals. It is simply a contingent action that may be taken if we cannot drive out savings elsewhere.

Mr F McCann:

Thank you. There have been serious problems in and around street lighting, particularly in big urban areas. I appreciate what you said about reducing the carbon footprint. However, a person who lives in terror in a house for which the only bit of protection is a street light is more concerned about keeping that light on than about the carbon footprint.

Mr Allister:

The experiments and pilot schemes of which I am aware in England have taken place largely on, for example, urban ring roads and not in housing estates.

The Chairperson:

Is the party political broadcast over?

Mr F McCann:

That is it.

The Chairperson:

Allan is next.

Mr F McCann:

I have a couple more points.

The Chairperson:

Sorry.

Mr Boylan:

His lights are not out yet. *[Laughter.]*

Mr F McCann:

I have another question on the restructuring of public transport.

Ms D Brown:

We are continuing in the direction of public transport reform. The speed of travel might be affected somewhat, but it is important to keep on with that, because the outline business case for public transport reform showed that there is scope for further efficiencies to be gained from changing the existing system, and that will be important in helping to reduce the cost base in a way that does not have an adverse impact on services.

The Chairperson:

Could you work that out?

Mr F McCann:

No.

The Chairperson:

Neither could I. Well done, Doreen. You are getting good at this.

Mr Bresland:

Thank you for your presentation. Most of the subjects have been touched on, such as front-line services, jobs and transport for disabled people and in rural areas. The A5 scheme could have

been shelved for three or four years. There has been a great deal of opposition to it, and shelving it would have freed up money for other roads. I do not want to speak against the A5, because I travel along three quarters of it every morning to come here, but the scheme should have been shelved in the meantime to free up money for other work.

Dr McKibbin:

We have covered the points about front-line services and rural transport, but in relation to the opposition to the A5, I came from the Department of Agriculture and Rural Development (DARD), so I am well aware of the rural perspective on it.

Mr Bresland:

There is much opposition to it. .

Dr McKibbin:

I am aware of that. In recent times, I have gone from one side of the fence to the other, but the position of the Executive is that the scheme will go ahead.

Mr McDevitt:

I want to pick up on three specific points on transport. I am sorry that I did not cover them earlier. First, you identified the reductions to the rural transport fund as potentially having a significant impact on vulnerable rural dwellers, particularly on sustainability, poverty and social inclusion. Is that correct?

Ms D Brown:

The equality impact assessment (EQIA) includes comments on the impact.

Mr McDevitt:

Those cuts, therefore, undermine your ability to deliver on your sustainability targets and will hit poorer rural dwellers hardest.

Ms D Brown:

Yes. However, we will work with the providers of rural transport to ensure that the impact is

minimised.

Mr McDevitt:

I am just trying to establish the facts.

Secondly, I have a question on the proposed cuts to the transport programme for people with disabilities. Your paper states say that the reduction in operating hours of door-to-door services may have a negative impact on:

“older people, women, those from a Protestant and Unionist background, those who have been widowed and people with disabilities.”

Ms D Brown:

Those are the groups on which the cuts would have most impact.

Mr McDevitt:

You said that the proposed removal of the NILGOSC, which is the local government officers’ superannuation committee, subsidy will lead to fare increases that will undermine your ability to meet your PSA target of 77 million passenger journeys a year. Are you saying that that target is out the door and will not be met?

Ms D Brown:

We believe that it will be difficult to meet. It is being met and surpassed at the moment. However, the number of journeys might drop from 77 million.

Mr McDevitt:

As colleagues and the Chairperson said, public transport is now going backwards. Your document continues:

“Increased fares could have a negative impact on Sustainable Development, as people will have fewer transport options. Private car usage may increase due to fewer public transport services and increased cost. Fare increases will impact on low income groups who tend to use bus services and could lead to transfer payments between fare paying passengers and concessionary fare groups.”

Again, you are asking people on the margins of society to pay for the cuts.

Ms D Brown:

We have little or no room to manoeuvre. Unless you believe that there are other areas in the Department's budget that can be cut to subsidise —

Mr McDevitt:

I understand. However, that is the sad reality of the situation.

I have one last question about an issue that I just cannot get my head around, Doreen. We have spent so long talking about the regional development strategy. I acknowledge your work, Mr McKibbin, and that of your colleagues who led on that strategy, to strengthen the commitment to sustainability. However, the truth of the matter is that your draft budget makes it impossible for you even to begin to tackle pollution or reduce the carbon footprint.

With the greatest respect, Mr Allister, you brought up the issue of carbon in the context of street lighting, but that is not the problem. You know that the problem is one of an overdependence on the car in this region. That is the elephant in the room. The regional development strategy that is out for consultation is absolutely at odds with the draft budget that you presented. One does not follow the other. You will tie your Minister and the subsequent Minister, because it will effectively tie his or her hands as well, to an undeliverable policy.

Ms D Brown:

The regional development strategy sets out the long-term vision for the region. You are quite right that this draft budget does not provide us with the wherewithal to move forward.

Mr McDevitt:

It does more than that. Your decisions, on which the Committee has yet to pass judgement, are such that they prioritise areas that will lead only to increased car usage. That is the sad reality. I am not saying that there are easy choices; they are not, and this is not a partisan statement. However, the logical conclusion of this draft budget, based on your own impact assessment, is that car usage will go up, usage of public transport services will go down, and the most marginalised and vulnerable in our community will be hit hardest.

Dr McKibbin:

First, these are proposals. After considerable thought, we believe that it is a balanced set of proposals in line with the Department's various strategic objectives. You are correct that we have to cut some programmes that we do not want to cut. However, as I said before, we are faced with a 40% cut in capital and a £162 million cut in resource. It is impossible to take on board that level of cut without impacting on some areas on which we do not want to impact. We do not have a £162 million slush fund sitting in the Department that we can allocate. We must make some difficult decisions about where the impact should be felt. However, I welcome the Committee's response to the raft of proposals, rather than to just one or two in isolation.

Mr F McCann:

I am about to pick one proposal in isolation. On the back of a question that Michelle asked, to which Doreen replied that small amounts of money can make an impact, I want to talk about community transport. A £10,000 cut could have a devastating impact on the ability of some of the small community transport committees to deliver services in rural areas. Before the Department considers a reduction in funding, does it carry out an impact assessment to assess how that would impact individual groups? Some groups are in a far healthier financial position than others, and some of the smaller groups provide an essential service.

Ms D Brown:

We want to try to amalgamate some of the smaller groups so that we move from a large number of small groups to a smaller number of larger groups. That would achieve efficiencies and savings without having a detrimental impact on front-line services. We have not yet looked at individual groups, because the figure for the overall level of reduction in the rural transport or urban transport service budget is still a high-level one. The next stage will be to discuss the position with the providers.

Mr Allister:

I will comment on the overall strategy and on how we tried to protect front-line services from the cuts. Much of what we are doing on the resource side is to try to increase our revenue. Under the savings measure of parking charges, for example, we include increased parking charges,

extending parking charges on the street, which we discussed, and increased penalty charge notice charges. We plan to bring in about £37.5 million of additional income from those areas over the Budget period. That could be seen to be anti-car, because it will penalise and, indeed, influence driver behaviour in towns and cities across Northern Ireland.

The Chairperson:

It could be seen as anti-car only if there was an alternative. Geoff, you are upping car parking charges and cutting transport. You are, in fact, driving people into cars so that they can get into town. Town services and city centre services will be cut, and people will drive and pay for parking rather than use public transport, particularly shoppers. The problem for us is that the whole drive behind the rapid transit system was to take cars out of Belfast, but this programme puts people back into cars, and the whole environmental issue, which is supposed to be a major issue for the Executive, goes down the tubes.

Ms D Brown:

We have included funding to allow the planning of the rapid transit system to continue.

The Chairperson:

Yes, but that system was supposed to be put in place.

Ms D Brown:

I do not believe that the rapid transit scheme could be delivered any more quickly. We require a number of years to go through the exercise of choosing routes and the statutory processes that are attached to that. In year four of our draft budget proposals, the capital that will be available to start putting in place rapid transit will increase. As far as we are concerned, rapid transit is protected. It is going ahead at the speed that we believe it would go ahead even in better circumstances.

The Chairperson:

Are you saying that there is no reduction in your budget for rapid transit?

Ms D Brown:

No, we gave up money for rapid transit, mainly because we believed that we had to get legislative cover before we could go ahead with the planning on the ground. The Transport Bill, which went through Committee Stage and, I hope, will complete its passage through the Assembly, gives us the statutory authority to move to the next stage.

The Chairperson:

Doreen, the Committee did not get that impression when your departmental officials and others came here to talk about rapid transit. Nor did we get that impression when we were out on the road. We did not get the impression that it would be four years before we could consider any structural plans for rapid transit.

Ms D Brown:

I accept that the advice that we received subsequently was that we should separate the two processes of legislation and the project on the ground.

The Chairperson:

There is no sense in getting into an argument about this, because we are at two different ends of the stick.

Mr Boylan:

It is far easier to provide a network of transport in an urban setting as opposed to providing it for rural people, who are largely dependent on cars. It is surprising that you did not go down the route of checking out the three-mile, five-mile and 10-mile journeys that could be facilitated in urban settings. That is the perspective that should have been taken on the provision of transport and the rapid transit system. It is a bit more difficult to make an impact on the 40,000 cars coming down the M1. As I have said repeatedly, it is easier to provide public transport in urban settings because it is viable. We should have gone down the route of trying to change mindsets and offering the appropriate transport. What has been done in urban settings? The rapid transit system was one cure, but we are going nowhere with it. Forget about the carbon footprint, and so on, because the arguments about that will continue as we come up with ideas. A start could have been made by addressing the issue in urban settings, but that seems not to be happening. The

three lanes on the M2 and M3 increased traffic in city areas. Over my four years on the Committee, traffic on journeys of two or three miles has increased. That should have been addressed, but it has not. The rural issue is slightly different. Now, you are taking services from the most vulnerable, and the Committee must examine that.

Mr Armstrong:

I appreciate your coming, but you will leave with a sour taste in your mouths. Road maintenance has not been good for the past two years. Despite two bad winters, you have not addressed road maintenance, and the roads situation is, therefore, disastrous. I am talking about all roads, especially those in mid-Ulster. They are no different from roads anywhere else in the Province, because all roads are in bad shape. Road markings have disappeared, your road maintenance is about nil, and I do not know what has happened on the A29. It seems to me that you have a notion of widening that road. Is it through European part-funding that you are widening the side verges or making the roads 3 ft or 4 ft wider and spending a lot of money? What is the reason for that?

Mr Allister:

Could you be specific about where are you talking about?

Mr Armstrong:

I am talking about the A29 at Tobermore and out by Moneymore.

Mr Allister:

Are there resurfacing schemes taking place there?

Mr Armstrong:

No, the road is being widened by about 3 ft and then resurfaced. Did you have to spend EEC money to get part of it done, or what was the reason? That extra 3ft on each side did not do much for the roads.

Mr Allister:

The purpose behind that is two-fold. First, it is safety related in that it gives traffic more room to

manoeuvre if there is an accident and traffic has to deviate. Secondly, it provides edge support. You will know that one of the biggest issues that we face in rural areas is edges being eaten away and poor drainage along the edges. By putting an additional one-metre strip along either side of the road, the edges are strengthened, and that problem does not recur. It is, therefore, good proactive maintenance.

Mr Armstrong:

I know that we do not have any trunk roads, and I agree that that helps the situation on the roads, but, in the eyes of many people, that is not money well spent.

You said that road drainage and the cleaning of gullies will be cut back. Again, that is a safety issue. With all the cuts, your system will be very inefficient. You are not doing anything to make yourselves an efficient company. Everybody else will pay for your cuts: lorry drivers, car drivers, bus passengers and people who use car parks. Everybody else will pay for your efficiencies. You will have to get your roads into shape to make your system efficient. That will enable you to make savings.

You mentioned a reduction in street lighting. When we want to save money on our homes, the first thing that we do is to turn off the lights. We do not go about in darkness all the time, but we do reduce our use of lights. Therefore, you can reduce spending in that way. Society demands lighting for safety, and we cannot cut down on safety, but we can reduce lighting.

The economy of our country will suffer with extra fuel costs for lorries, which will also incur more expense because of the roads being in bad shape. You are increasing expenses for everybody else, because you do not carry out proper maintenance or run an efficient road service.

Will the Cookstown bypass scheme go ahead?

Mr Allister:

I will try to pick up on those three issues. My role as chief executive of Roads Service is to make sure that I am efficient. Therefore, I cannot accept your arguments that we are not an efficient organisation. I have evidence from benchmarking about how I use resources. You are

introducing a wider argument, which is that we need more money to get roads to a higher standard. Probably, you are also talking about trying to negate public liability claims, and so on.

Mr Armstrong:

No, I am saying that we have bad winters for the past two years and that you should use those to benchmark, because the roads have deteriorated badly. You are going back to a 10-year plan that covers previous years when there were no bad winters.

Mr Allister:

No. I will clarify what I said: the comment about the 10-year average winter was solely to do with the way in which we gear up for our winter service, and it relates to salt stocks and the number of gritters that we have out on the roads. I have said already that, at the end of the winter period, we will sit down and reflect on this winter, the previous winter, which was very harsh, and, indeed, the winter before that. We will take all that on board.

You talked about reducing street lighting hours. You are absolutely right that, at the moment, we are considering where we can switch lights off slightly earlier and switch them on slightly later — I think that that is the right way round — to determine whether we can make some savings. That is on our agenda. However, I want to make it clear that that would not mean the widespread switching off of lights.

As with other major schemes, there is not sufficient funding on the capital side to permit the start of construction on the Cookstown bypass during the four-year Budget period.

Mr Leonard:

My question is perhaps more for Doreen, who was the departmental lead on the Transport Bill. In trying to marry your draft budget with the Transport Bill, have the aims and objectives underpinning that legislation been made more difficult? In these difficult budgetary times, are there any alleviating provisions in the Transport Bill?

Ms D Brown:

The provisions of the Transport Bill allow for further efficiencies in Translink as the main

transport provider, which is positive. I do not believe that anything in the Transport Bill will be adversely impacted on by our draft budget. The Transport Bill still sets out our direction of travel, and it remains valid.

The Chairperson:

How will the first £30 million from Belfast port be achieved?

Dr McKibbin:

The Belfast Harbour Commissioners and the Department are examining that. They are considering a series of options that they will put to the Budget review group, which will decide whether any of them offer a feasible way forward. It could happen through a change in legislation to create a modified transport model, within which there could be appropriation, a levy, a dividend or a move to a company limited by guarantee, which would be a mutualised model.

The Chairperson:

Will the status of the port change?

Dr McKibbin:

The timescale means that we will not know until the end of February.

The Chairperson:

Has that £30 million been included in the draft Budget?

Dr McKibbin:

The Executive have included an assumption that they will be able to lever value out of the port over the Budget period. We, and the Belfast Harbour Commissioners, are considering whether that is feasible.

The Chairperson:

Therefore, the Executive assume £30 million, which you have spent?

Dr McKibbin:

Their assumption is of £5 million in year one and £15 million in each of years three and four.

The Chairperson:

Have you spent that money? Is it included in your draft budget as spending?

Dr McKibbin:

It is. Clearly, if that income were not to become available, we would have to tell the Executive that the matter had to be revisited.

The Chairperson:

My second question is whether you will meet the investments under PC10.

Dr McKibbin:

The proposal is for £194 million.

Mr Downey:

It is £200 million in year two.

Dr McKibbin:

The PC10 requirement is £200 million in year two, and we are putting in £145 million. There is a shortfall, and, therefore, we will have to meet the regulator and the water company to determine what impact that is likely to have.

The Chairperson:

What I am saying is that we agreed PC10 only recently.

Dr McKibbin:

That was the regulator's determination.

The Chairperson:

PC10 will not be met.

Dr McKibbin:

We do not have sufficient funds to meet it.

The Chairperson:

The consultation period must be completed by 8 February 2011.

Mr Downey:

No, by 9 February 2011.

The Chairperson:

Sorry, by 9 February 2011. Is that a sufficient period for consultation on a document such as this?

Dr McKibbin:

It is all the time that is available because of when we prepared this draft. We finished it late last night to enable us to bring it to you today. I note that some Departments —

The Chairperson:

More generally, that is a huge issue for those in the community, and for others, who now have a consultation period of less than four weeks as opposed to the normal eight weeks. That is an impossible task, Malcolm.

Mr F McCann:

I understand that any profits from the harbour over many a long year were to be invested in the build capacity and the delivery of services. Belfast has been the biggest and best port in Ireland. Will there be an impact on the capacity of the harbour to deliver a service?

Dr McKibbin:

It depends on the proposal that is brought forward, and we must wait until the end of February for that.

The Chairperson:

Will the Committee see that proposal?

Dr McKibbin:

The proposal will go to the Budget review group, which is a subgroup of the Executive, and I imagine that it will then be put into a wider domain. That may be a matter for the Budget review group.

The Chairperson:

Finally, how much does servicing the debt erode capital expenditure?

Dr McKibbin:

What do you mean by servicing the debt?

The Chairperson:

The PPS projects on the roads. In the current expenditure, how much —

Dr McKibbin:

Oh, you mean the PPP schemes. Roger may have those figures.

Mr Downey:

That costs £42.2 million each year.

The Chairperson:

Every year?

Mr Downey:

Yes.

Dr McKibbin:

That will soon be ring-fenced as well, obviously.

The Chairperson:

Obviously. OK, thank you very much.

Dr McKibbin:

I should point out that an EQIA is being prepared. It is not quite ready, but we are going as fast as we can.

The Chairperson:

Malcolm, will the Department publish its paper on the Internet?

Dr McKibbin:

The plan is to do so tomorrow.

The Chairperson:

Thank you.