

Ms. Niamh Maguire
Committee Secretariat
Committee of Public Accounts
Leinster House
Dublin 2



11 February 2013

**2010 Annual Report of the C&AG and Appropriation Accounts:
Chapter 6 on PPPs**

Dear Ms Maguire,

I refer to your letter of 19th December 2012 requesting information following the meeting of the Committee of Public Accounts on 13th December 2012. As you will be aware, in advance of your letter and following the meeting, I forwarded to the Committee a copy of my letter to Secretary Generals informing them of changes to the 'One Person One Salary' principle and also a report on the Focussed Policy Assessment being conducted in relation to PPPs in the water sector.

For completeness and further to your letter of 19th, I again attach a copy of my letter to Secretary Generals dated 17th October. In that letter I informed them of changes to the 'One Person One Salary' principle and of the requirements on public servant who may previously have received board fees in respect of appointments to State Boards as follows:

"Under the revised arrangements it will now be a requirement that public servants:

- (i) who sit on state boards in an ex officio capacity or on behalf of their parent Department/organisation or*
- (ii) who may be nominated to such board positions independently of their public service employment*

should not be paid remuneration in the form of board fees when serving in such a representational capacity. Accordingly, the criteria previously used to determine the eligibility of public servants to receive board fee payments will no longer apply in any such cases.

Public servants currently serving in such board related positions and in receipt of a fee for this purpose should cease to be paid such remuneration from 1 November 2011."

Further to my letter, Departments/Offices in consultation with their respective state bodies, were required to establish the public service employment status of externally nominated persons to board and related positions in order to ensure compliance with the requirements on the payment of fees to public servants. Departments were further required to advise their staff that the consent of the Department of Public Expenditure

and Reform was required if they proposed to undertake other forms of paid remuneration anywhere in the public service.

Water PPPs

As previously stated, the focused policy assessment of PPPs on the appraisal and procurement decisions in the water sector will be carried out by the Central Expenditure Evaluation Unit, with input from the relevant sections in the Department of the Environment Community and Local Government (DEHLG) and Local Authorities. It is intended to complete the FPA by end Q2 2013. We will report on this to the committee in due course.

The Department is engaging with the Department of the Environment Community and Local Government in relation to the cost of the investment by local authorities for PPP projects. and will revert to the committee in due course.

Material in relation to deferred Public Transport PPPs

The Committee had requested information on the portion of the €219m (up to 2011) cost of cancelled/postponed PPP projects that is confirmed as a loss to the State and the cost of the investment by local authorities for PPP projects.

The Department of Transport Tourism and Sport estimate that the cost of deferred PPP projects (Metro North, Metro West and Dart Underground) is just under €227.8m which includes costs incurred between 2006 and 2012.

Metro North Expenditure to end of December 2012

Expenditure Categorisation	Total €'000
Alignment Feasibility Study & Route Selection	1,979
Ground Investigations & Surveys	7,439
Reference Design & RPA Design & PPP Procurement Costs	32,778
Railway Order Preparation	10,477
Oral Hearing & Prep for Depot Railway Order	5,482
PPP - Legal, Financial Commercial and Insurance advisers	20,670
Property	25,681
Enabling Works	60,727
Total to 31 December 2012	<u>165,233</u>

Metro West Expenditure to end of December 2012

Expenditure Categorisation	Total €'000
Alignment Feasibility Study & Route Selection	2,079
Railway Order Preparation	10,173
Oral Hearing	918
PPP - Legal, Financial Commercial and Insurance advisers	37

Property	0
Design & Procurement	5,493
Total to 31 December 2012	<u>18,700</u>

DART Underground Expenditure to end of December 2012

Expenditure Categorisation	Total €'000
Iarnród Éireann & CIÉ Staff costs & OHD, incl property referencing	11,057
Design Team	20,144
Geotechnical	3,449
Railway Order Application	1,711
Progression of PPP Process	2,180
Consultants	4,688
Information campaign	616
Total to 31 December 2012	<u>43,844</u>
GRAND TOTAL:	<u>227,777</u>

The RPA estimate that:

- 15.9% (€26.2m approximately of the total of €165.2m) of **Metro North** costs have no value going forward with the remaining cost having value on the basis that the project progresses in the future.
- 14.4% (€2.7m approximately of the total of €18.7m) of **Metro West** costs have no value going forward with the remaining cost having value on the basis that the project progresses in the future.
- the full costs of these projects will have no value and no residual values (beyond the €10 million in property values relating to Metro North¹) will arise in the event that the projects do not progress in the future.

Irish Rail believe that costs incurred on **Dart Underground** have **full value** going forward in the event that the project progresses and that there are no abortive costs incurred, based on the following assumptions:

- DART Underground is implemented within the constraints of the existing Railway Order;

¹ **Property costs of €25.7million were incurred for Metro North.** These costs were incurred /contracted around the peak of the property 'boom'. A reasonable estimate would be that a 60% approx. reduction in value has occurred leaving an estimated residual value attaching of approx. €10 million. Of the 13 properties acquired by the RPA, 10 are currently occupied or let, 1 is currently on the market for letting and the remainder would need substantial investment to bring them to standard for letting. Monthly rental income of €8,800 is currently accrued from these properties. The RPA are also at an advanced stage of completing agreements with 3 separate mobile phone operators to place equipment on one property and these will yield a total of circa. €40k per annum.

- The procurement method for construction of DART Underground is not changed from the proposed PPP contract method;
- Continued administration of the DART Underground to safeguard the Railway Order and the route during the deferral period.
- There are no significant changes to Irish and European standards (no significant changes to Irish and European standards (no significant changes are currently foreseen by Irish Rail);
- In addition Irish Rail are satisfied that the reference design is robust and will remain valid should DART Underground be recommenced within a reasonable timeframe. Irish Rail are satisfied that the Railway Order as approved by An Bord Pleanála confirms the reference design.

There are no property costs incurred by Dart Underground or Metro West.

I trust the above information provides the required clarification.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Robert Watt', written in a cursive style.

Robert Watt
Secretary General