

**National Development
Finance Agency
(NDFA)**

**Opening remarks for Members of the
Joint Committee on Finance, Public
Expenditure and Reform, and Taoiseach**

3 July 2018

*Submitted
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Opening remarks

Gerard Cahillane – Deputy Director, National Development Finance Agency (NDFA)

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Chairman, Members, I am pleased to be here this afternoon to assist the Committee in its consideration of the role and operation of the NDFA with particular reference to the impact on Irish infrastructure projects from the liquidation of the UK Carillion group and also the role of the Dutch Infrastructure Fund in that regard.

I am joined by my colleagues, Paul O'Neill and Louise Mulcahy.

NDFA

NDFA's mandate is set out in the National Treasury Management Agency (Amendment) Act 2014. We have two main roles. The NDFA is the statutory financial adviser to certain State bodies as listed in this Act in respect of all public investment projects of scale. We are currently providing financial advice on projects with a value in excess of €5.5bn, including Public Private Partnership (PPP) projects with a value in excess of €1.5bn.

The NDFA's mandate includes responsibility for the procurement and delivery of PPP projects in sectors other than in the transport and local authority sectors.

Within this mandate, NDFA's exposure to Carillion is confined to the Schools PPP Bundle 5 project (SB5). Carillion was new to the Irish market, in contrast to its presence in the British market where Carillion was engaged on up to 450

State projects at the time of its collapse. We are not aware of Carillion having been involved in any other Irish Government infrastructure project.

Schools Bundle 5

The SB5 PPP project was announced as part of the Government's 2012 PPP Stimulus Package. The NDFA managed, and provided financial advice on, the procurement of the SB5 project on behalf of the Department of Education and Skills (DoE). The project comprises six facilities: five replacement schools and one replacement Institute of Further Education.

Following a competitive tendering process and financial, technical and legal due diligence a contract was awarded to the Inspired Spaces (PPP Co) consortium in July 2016. PPP Co comprised two 50% shareholders: Carillion Private Finance and the Dutch Infrastructure Fund (DIF). Under the contract, the construction works were subcontracted by PPP Co to Carillion Construction and the post-construction services to Carillion AMBS. The contractual structure is set out in appendix 1 to this paper.

Funding for the project was secured by PPP Co in the form of a 90:10 debt/equity ratio. The bank debt financing was provided by MUFG (50%) and Helaba Landesbank (50%).

The PPP Co under the direction of its shareholders is responsible for managing the overall process including the making of payments to the main works contractor. Since the collapse of Carillion, DIF has taken responsibility for the management of Carillion's stake in the project with the oversight of the funders. NDFA and the Department are in close contact with all parties.

Current position

Following intensive efforts by all parties in the intervening months, as of 25 June 2018 an announcement was made that DIF and the Project Lenders were putting in place arrangements for the appointment of a replacement contractor, Woodvale, to:

- facilitate the completion of the three most advanced schools - Loreto College, Wexford; Coláiste Raithín, Bray, and Ravenswell Primary School, Bray - by the end of August;
- undertake survey and preliminary work at the other three buildings in the Bundle – Tyndall College, Carlow, Carlow Institute of Further Education, and Eureka Secondary School, Kells. This survey and preliminary work will be undertaken during the summer and will provide a detailed scope of works to enable the contract arrangements to be finalised for the completion of these schools by the end of December.

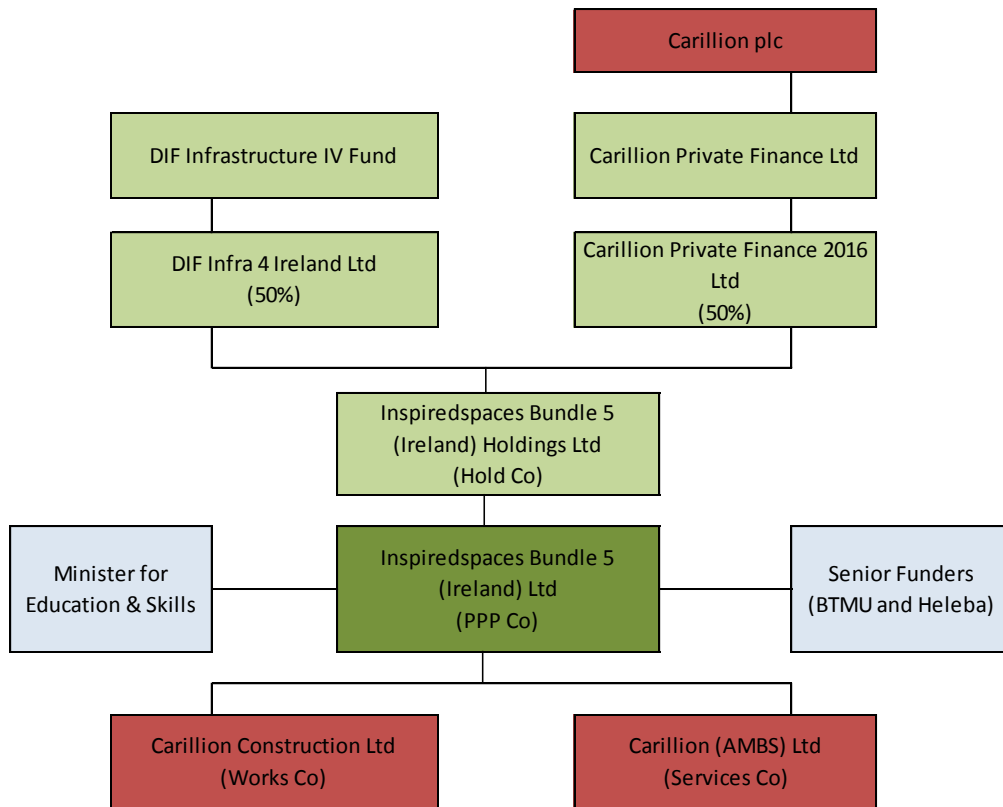
The arrangements, which follow a retendering process, provide for a contractor to be mobilised in the coming days and for work to recommence on site in the coming weeks.

As of today, in accordance with the PPP contract, the State has not made payments in respect of the schools' construction other than an amount in respect of preparatory site advance works. Payments from the State under the PPP contract are made on a monthly basis and will commence upon completion of the schools, which were at various stages of completion on the date of liquidation.

Concluding remarks

In conclusion, Chairman, my colleagues and I will be happy to address questions relating to the Carillion liquidation to the extent that it has impacted NDFA-procured projects. I am, however, limited in two respects: I am not in a position to discuss third parties that are not counterparties of the NDFA nor am I free to discuss details of the procurement of the replacement contractor which has progressed but has yet to fully conclude. I ask for the Members' understanding in this regard.

Appendix 1: Contractual structure on Schools Bundle 5



Represents company in liquidation