

Joint Oireachtas Committee on Housing Planning & Local Government

Committee Meeting 22nd February 2018

Opening Statement on behalf of Irish Water

Introduction

My name is Mike Quinn and I am the Group Chief Executive Officer of Ervia, the parent company of two regulated companies, Irish Water and Gas Networks Ireland. I am joined today by Mr. Jerry Grant, the Managing Director of Irish Water and Mr. John Dempsey, who has responsibility in Irish Water for managing the continued transformation of Irish Water towards the single public utility.

I would like to thank Ms. Maria Bailey, TD and the Joint Committee for the opportunity to outline our position on *Irish Water's proposed move to a single utility by 2021 and in particular, the future delivery of water and water sanitation services.*

At the outset, I want to record the very considerable progress in the transformation of public water services since 2014 by Irish Water, working under Service Level Agreements (SLA) with the 31 local authorities. This has seen a seamless transfer of responsibility for public water services to Irish Water and delivered a major increase in investment, while also achieving over €100 million in annual operational efficiency and significant improvement in key service areas, for example in drinking water safety and in saving 89 million litres of water every day. This progress could not have been made without the dedication and commitment of the staff across Irish Water and each of the local authorities.

The challenges facing Irish Water include bringing public water and wastewater services to acceptable international benchmark standards, achieving compliance with legal obligations, meeting social and economic needs while addressing effectively the critical assets at risk of failure. Meeting these challenges requires an organisation that is truly fit for purpose, with the water services workforce, processes and systems within a single organisation structure.

The Irish Water Business Plan (2014 – 2021) sets an ambitious but achievable programme of objectives and targets which, if delivered, will provide this country with a radically improved service by 2021. For example, our drinking water will be safe for all consumers, we will have addressed the most critical wastewater issues causing pollution today and exposing Ireland to serious risk of large scale fines, we will have cut leakage by 10% nationally and at the same time we will have achieved annual operational savings of €250 million compared to the starting point in 2014.

The Ervia Board, its Executive and the Management in Irish Water have been addressing the challenge of meeting these commitments and have concluded that it requires that we now move forward with the next stage of transformation, to deliver a single national utility for

water services delivery for Ireland within the lifetime of the Business Plan (by 2021). We welcome the opportunity to outline why we have reached this conclusion.

Before doing so, I want to emphasise that this proposal has only recently been outlined to the key stakeholders, in particular the local authority managements and the staff unions. We fully recognise that extensive engagement will be needed to address all of the concerns that will arise for staff and for the future of the local government service.

Rationale for moving to the single public utility for water services

Since 2014, Irish Water is making strategic investment decisions in water infrastructure on a national basis, planning for the long-term future of water services, responding to operational incidents across county borders and working to deliver a single streamlined service to all customers across the country. Through our investment and operational programmes, we have resolved the critical boil water notice issues inherited in 2014, made significant progress in reducing risk to drinking water and started to make inroads on the wastewater treatment deficit facing the country.

However, with an estimated overall infrastructure deficit in excess of €13 billion, it will take several investment cycles to bring all of the assets to the required level. In the meantime, we must make the best use of available resources through an asset management driven approach which optimises investment, operations, maintenance and asset utilisation to deliver the best outcomes for the resources available. Ultimately, our ambition is that every citizen and company connected to our networks should enjoy the same satisfactory level of service irrespective of where they are located.

With four year's experience of operating under the SLAs, and recognising the progress made, we can now clearly see the limitations of this structure. For example:

- We are faced with multiple and varied ways of working which militate against consistent safe operation of the services, leading to avoidable service failures;
- We have plants operating within capacity which fail to meet service targets due to sub-optimal operation. In addition, we spend over €100 million annually on privately operated plants through the Design Build Operate (DBO) operational contracts. Taken together, these factors reflect the lack of a single unified, consistent and coherent operational service capability;
- We cannot deliver the capability levels required in process optimisation, specialised maintenance, leakage control and incident response at county level;
- We suffer inconsistent customer service outcomes due to the different work practices and the lack of consistent reporting on service responses;
- We incur substantial costs in fragmented management and workforce structures across 32 organisations which can result in delays and operational complexity, with no clear accountability; and
- We need to deliver a whole range of specialist services at appropriate scale, requiring central and regional structures and best use of expert resources.

Implementing the single public utility, where all water services staff would work directly for the national utility and deliver a joined up single service, is the optimum way to manage our water and wastewater services. It is key to ensure future public confidence in our water and wastewater services. It offers the opportunity for a specialist water industry, with better supported career structures and increased investment in staff training and skills, development of true centres of excellence and the introduction of apprenticeship models to support first class service delivery.

This was reflected in the November 2016 report chaired by Mr Kevin Duffy, (The Expert Commission on Domestic Water Services, Section 5.2.1, which *“noted the arrangement whereby Irish Water has entered into Service Level Agreements (SLAs) with local authorities for the provision of water services. The rationale for concluding these agreements is that they promote stability in the delivery of the services to which they relate – the first such SLAs running for a period of 12 years. While understanding the need for transitional arrangements, the Expert Commission was concerned that these SLAs could become a barrier in the drive towards ever-improving efficiency, and we recommend that these arrangements be reviewed in the context of the CER’s remit in ensuring a cost efficient water service. “*

Despite the significant progress achieved to date, the Ervia Executive and its Board along with the Irish Water Management Team recognised that without completing the full transformation to a single national utility organisation, it would not be possible to deliver all of the Business Plan objectives by 2021. The choice of the single public utility operational model was based on an analysis of the experience to date, as well as the achievements of other water utilities, notably the public utility companies Scottish Water & NI Water, which undertook very similar transformations.

From 2018, the majority of the cost savings and improved service performance can only be achieved through more effective asset operations by moving to regional working, implementing a single system of work, standard operating procedures, process optimisation and integrated maintenance delivery. The single public utility, once fully implemented, will:

- free up €70 million pa in operational savings and efficiencies, an essential part of funding our Capital Investment Plan;
- through standardising operations and processes, deliver major performance benefits;
- allow Irish Water realise the full benefits of the investment being made in technologies such as Scada and Telemetry; and
- provide our shareholder and our regulators the single accountability for meeting our Business Plan commitments and in supporting public policy generally.

We have written to the Minister to inform him of the Ervia Board's intention to:

- not renew the SLA post 2025;
- move to the full single public utility operations model, an integrated operations model within which Irish Water would have control of both the human resources and assets needed to efficiently and effectively deliver water services; and
- work with local authorities and unions to manage this change within the period of the current Business Plan (i.e. by the end of 2021).

One single public utility, made up of both Irish Water and local authority staff working together in one fully integrated organisation, focused on first class service delivery to customers, is the optimum way forward. Implementing a single utility approach to water service delivery is similar to how normal utilities such as the ESB or other water utilities have evolved and now work.

The single public utility was selected as the optimum model as it will allow us to:

- deliver one national vision for water, continuing to provide service continuity and knowledge through locally delivered work;
- create one connected community of water services staff;
- offer water industry employees more structured career paths, professional development and training opportunities;
- enable local workforces to deliver a consistent and standardised customer service to all consumers;
- allow increased preventive work to be undertaken, reducing costly workarounds and reactive work;
- remove constraints in service and investment presented by traditional geographic boundary lines;
- implement a more streamlined management structure, thereby bringing decision making closer to the front line; and
- generate incremental operational efficiencies of c€70m+ pa. Achieving these efficiencies is critical to the funding of our Capital Investment Plan.

With our proposal, local authority water services employees will continue to work in the sector and become Irish Water employees. It is important to note that their terms and conditions are protected under relevant water legislation and we are committed to honouring these conditions. While we recognise the concerns that many existing staff will have, we look forward to engaging with them on the benefits of working in a dedicated water utility, which is committed to further investment in safety, equipment and developing dedicated career paths.. This utility will be fully accountable through the structures and governance being established (Water Advisory Body, etc.).

Working as the single public utility we want a continuing, collaborative relationship with local authorities. We propose supporting this via a dedicated Irish Water/Local Authority Liaison Office Network. The liaison office for each local authority would act as the key relationship function for the local authority Chief Executive, Councillors and Oireachtas members, dealing with (1) the key strategic issues for the local authority in question e.g. economic and social development, while (2) also managing issue escalations between the local authority and Irish Water. It would ensure ongoing cooperation on areas of common interest such as storm water management, fire-flows, emergency response and environmental protection.

Implementing the single public utility will be complex and challenging and will take time. However, we have a commitment to improve how we deliver water and wastewater services and provide a first class water utility. Our vision by 2021 is for a unified water services industry, working collectively to deliver excellent customer service and safeguarding and conserving our water, our environment and our public health. This is now the right time to start taking the next step in the transformation of water services delivery.

By delivering this transformation in full and by 2021, Irish Water will ensure that Ireland achieves the best possible water and wastewater services for future generations.