

DÁIL ÉIREANN

AN COISTE UM CHUNTAIS PHOIBLÍ

COMMITTEE OF PUBLIC ACCOUNTS

Déardaoin, 26 Márta 2015

Thursday, 26 March 2015

The Committee met at 10 a.m.

MEMBERS PRESENT:

Deputy Paul J. Connaughton,	Deputy Sean Fleming,
Deputy Joe Costello,	Deputy Mary Lou McDonald,
Deputy John Deasy,	Deputy Gabrielle McFadden.

DEPUTY JOHN MCGUINNESS IN THE CHAIR.

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Mr. Seamus McCarthy (*An tArd Reachtaire Cuntas agus Ciste*) called and examined.

Business of Committee

Chairman: The first item on the agenda is the minutes of our meeting of 5 March 2015 and 12 March 2015. Are these minutes agree? Agreed.

At our last meeting there was an issue in regard to correspondence around HSBC. The clerk, who was away on other business on the day, has confirmed that he was in touch with the chief executive's office of HSBC and had called them but unfortunately they did not take up the offer to attend the meeting. So the correspondence may not have been there but the contact was indeed made and that was the response.

No. 3 is correspondence received since our meeting of Thursday, 5 March 2015.

Deputy John Deasy: Would it be useful if the clerk let us know what he said?

Chairman: They said they were not available and that they had appeared before the Public Accounts Committee in the UK and they did not have anything further to add here. That is all they said.

Deputy Joe Costello: Did the HSBC bank in London indicate that they had nothing to say here and that there was no connection with the HSBC bank in Dublin?

Chairman: No, it is just that they were not available.

Deputy Joe Costello: What about the request to the London centre to see whether or not they would appear?

Chairman: That is what we are talking about. They would not make themselves available. They did not respond. They basically said they would not be here.

No. 3A.1 is correspondence, dated 2 March 2015, from Ms Julie Sinnamon, CEO of Enterprise Ireland. It is a follow-up from the PAC meeting of 12 February 2015. That correspondence is to be noted and published.

No. 3A.2 is correspondence, dated 4 March 2015, from Mr. Robert Watt re the minutes for the Minister for Public Expenditure and Reform re report 1, Review of Medical Card Eligibility, and report 2, Fixed Charge Processing System. That is to be noted and published. These are the replies to our reports; the majority of the recommendations of the committee have been accepted.

No. 3A.3, correspondence, dated 6 March 2015, from Mr. John McCarthy, Secretary General, Department of Environment, Community and Local Government re follow up from our meeting on 5 February 2015, to be noted and published.

Deputy Sean Fleming: The information supplied about the public private partnership contracts transferred to Irish Water is incomplete and does not provide the information the Secretary General was in a position to provide and that he was asked to provide on the day. On page 5 of the letter there is a mechanism to deal with him. The chart deals with the extent of the design, build and operate contracts in the water services sector for February 2015. It gives a cost of

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€123,045,700 for those contracts and breaks down the number of contracts, sites and how many are wastewater treatment and how many are water treatment contracts.

I asked all day for the total liability for the contracts. The Secretary General is giving us the annual operating cost for 2015. These are 20 year contracts. In his letter he writes that it is not possible to provide a breakdown on a contract basis as the information in regard to the payments under individual contracts is commercially sensitive. I had specifically asked that the information be provided to us even on a local authority basis to avoid that kind of problem. The Secretary General could have been more helpful. He was well able to give us the operating cost based on the 115 contracts *in situ*, broken down by region, the south, the east, the north west and the total. All I am asking for is the total cost of those 115 contracts. I do not need to know about the individual contracts for wastewater treatment plants in Ringsend, Portlaoise, Mullingar or Roscrea. He was able to give us the information year by year on a regional basis. I want the total liability on the same basis, urgently.

This dates from our meeting on 6 February. I want this within seven days or I want the Secretary General to return here next Thursday for 15 minutes to explain why it is not here. Seven weeks on we do not have the information we sought. He said on the day he did not have it but he has been able to produce the operating annual costs. I want to know the total liability in the format he has provided. I will not dictate the format. He has avoided the issue again.

Chairman: We will send the Secretary General the Official Report of the meeting and ask for an immediate response from him on that matter.

On No. No. 7, in that correspondence we asked for the unit cost of producing the litre of water. In spite of the fact that it took almost half an A4 page to define no answer was given. I thought that was a simple enough question to determine the cost. As far as I can see there is nothing here but a lot of hot air. I will ask again specifically for that cost. It had nothing to do with the water lost. We can calculate that afterwards. We have not got the production costs. I will remind the Secretary General of the question asked and the fact that it was not answered in spite of the waffle in that reply. The other issue was the transfer of assets from the local authority. It is listed here in terms of the book value. I am bringing that to the attention of members. We can consider it again in the context of the replies to the two questions.

No. 3A.4 correspondence, dated 9 March 2015, from Mr. Robert Watt, Secretary General, Department of Public Expenditure and Reform re minute from Minister for Public Expenditure and Reform re composite reports arising from examination of (1) land sway arrangement; (2) State Pathology Building Project; (3) appointment of the Director of the National Gallery of Ireland and (4) Waterford Institute of Technology, to be noted and published.

Deputy Sean Fleming: That is the response to all our work.

Chairman: We can put it on the agenda for the next meeting. I think we should discuss No. 4, lapses in controls at Waterford Institute of Technology, WIT. The issues raised there had to do also with Carlow, Cork and Tralee. We should put it on the agenda for our next meeting.

Deputy John Deasy: There has been significant movement in regard to Carlow, Waterford, the HEA and education. I understand the President of Waterford IT has left and is now working with the Higher Education Authority. Mr. Michael Kelly, who is carrying out a report on the merger between Waterford and Carlow Its, is probably finalising that work. Would it be useful to invite Mr. Kelly to present to committee after he makes his report?

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Chairman: I understand the report has to go to the Minister before it is available to us. We have already agreed to bring back the Department and the HEA and we can ask them to invite in Mr. Kelly to discuss his report. Then, we could perhaps bring into that discussion the report here relating to the WIT and the reports on the other institutes. We are still awaiting the report from the Department on the Vocational Education Committees, which is before the Minister.

Deputy John Deasy: It would be useful to have Mr. Kelly come before us. I believe the hearing we had with the HEA and the Department of Education and Skills woke some people up and that some issues were resolved after that hearing. We should continue with that to bring this to a conclusion, if possible. Having Mr. Kelly appear would be useful in that regard.

Chairman: We do not have a date set for that meeting. If we can find out when the report will be available after the Minister completes her examination of it, we can set an early date for that hearing. We should also write to the Minister again in regard to the report on Cork VEC to ask when it will be laid before the House.

No. 3A.5 relates to correspondence dated 11 March 2015 from NAMA outlining the mediation process. This will be noted and published. No. 3A.6 is correspondence dated 4 March 2015 from Mr. Aidan O'Driscoll, Secretary General of the Department of Agriculture, Food and the Marine. This is a follow-up to our meeting regarding Bord na gCon. This is to be noted and published. As we have now received replies from both the Department and Bord na gCon, I will ask the secretariat to proceed to draft a report on the matters covered in our examination of the topic.

No. 3A.7 concerns correspondence dated 16 March 2015 from Mr. Martin Shanahan, CEO of the IDA. This is a follow-up from our meeting of 12 February and is to be noted and published. No. 3A.8 is correspondence dated 19 March 2015 from Mr. John McCarthy, Secretary General of the Department of the Environment, Community and Local Government and is a follow-up to our meeting of 15 February 2015. The correspondence is to be noted and published.

No. 3A.9 is correspondence, dated Monday, 23 March 2015, from the HSE on section 38 agencies. The correspondence is to be noted and published. We will be able to have an in-depth discussion on this matter and other issues and the general accounts of the HSE next Thursday, 2 April. We have indicated to the HSE that because of the number of items on the agenda the meeting may last a full day.

No. 3B.1 is correspondence, dated Monday, 23 February 2015, from Mr. Seamus Carroll regarding moneys owed for works carried out at Ennis General Hospital. The committee has come across a number of these cases - Deputy Deasy referred to one such case - in relation to the payment of contractors and subcontractors. This case involves Glenbeigh Construction which I understand is a firm that procures many public capital projects. It appears that this small firm is losing out. The State should not facilitate this. The committee will again write to the HSE to ask it to review the case to see if steps could be taken which would result in the contractor being paid. This is an issue across Departments where contracts are made available and something needs to be done to protect the small firms and individuals who end up doing this work in order that issue will not continue to arise. The committee will write to the Department about it and will raise it again at next week's meeting.

No. 3B.2 is correspondence, dated Tuesday, 3 March 2015, received from the HSE on the payment of allowances at St. James's Hospital. The committee can discuss this issue next week with the HSE and will forward the correspondence to the Department of Education and Skills

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and the HEA to ensure salaries should not be paid to public servants for lecturing.

No. 3B.3 is correspondence received from Ms Susan Gray, chairperson of PARC, the road safety group. It concerns the recording of information by court clerks on drivers who are disqualified but who do not have their licences endorsed. The correspondence is to be noted. This matter was raised when we discussed the issue of penalty points. We have made a recommendation which is being considered by the criminal justice working group, from which we should receive an update. I propose that the committee request the secretariat to write to the group or the Minister to request an update on the matter.

No. 3B.4 is correspondence, dated Thursday, 5 March 2015, received from Mr. Seán Ó Foghlú, Secretary General, Department of Education and Skills. It concerns the review of spousal travel arrangements in FÁS in the period 2002 to 2008. The correspondence is to be noted and published. I suggest the committee write to the Department and SOLAS to find out how it is planned to recoup the moneys owed. A considerable amount of almost €30,000 is involved and little progress has been made to date in collecting the money owed.

Deputy Joe Costello: It really is not good enough that such an important organisation should have operated in the manner it did for such a long period. It is only now being brought to the committee's attention that most of the money has not been paid back. The same seems to apply in a number of other State bodies. The committee has seen that there is no proper policy being pursued in the HSE on travel or entertainment. It is clearly not good enough that FÁS should have taken it on itself to provide the same services for its members' spouses as it did for its members in certain categories. The committee needs to look at the issue on a broader basis and write to all of the agencies involved requesting them to examine their practices to ensure they are in compliance with proper standard practices. This issue comes up from time to time in the case of the HSE, FÁS and other agencies. In the case of FÁS, there is a legacy issue, it pertains also during the years in a number of agencies. As well as ensuring the committee has it finally sorted out, I suggest it write to all bodies in receipt of public funds and that are using taxpayers' money to fund their operations to ensure they are compliant and that they write back to confirm the practices in place.

Chairman: I know that in 2008 and 2010 the Department of Public Expenditure and Reform took up this matter. That Department might be a first port of call to see what progress it has made. The committee can look at what action it took to deal with it. Perhaps it might then revisit Deputy Joe Costello's proposal.

Correspondence, dated Friday, 6 March 2015, has been received from Ms Eileen Creedon, Office of the Chief State Solicitor. It concerns costs borne by the State in cases taken by the special investigations unit of the Department of Agriculture, Food and the Marine. This is a holding matter, in respect of which Ms Creedon is going to give us some details. We have a date set for representatives of the Office of the Chief State Solicitor to come before the committee to deal with the issue. It is relevant to the issue of costs and the committee wants to have an understanding of how the office takes cases and the costs that arise.

No. 3B.6 is correspondence, dated Monday, 9 March 2015, received from NAMA. It is a reply on the issue of access to contracts. The correspondence is to be noted and published.

No. 3B.7 is correspondence, dated Friday, 6 March 2015, received from Mr. Tom O'Mahony, Secretary General, Department of Transport, Sport and Tourism on the Kilkenny central access road. The correspondence is to be noted and forwarded to Ms Anne Marie Swift who raised

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the issue. This is a matter for the local authority to which the committee will forward the correspondence and request a response.

No. 3B.8 is correspondence, dated Wednesday, 11 March 2015, received from Professor Niamh Brennan concerning the DDDA and the Irish Glass Bottle site. The correspondence is to be noted and published. I thank Professor Brennan for her submission and ask Members to take note of it, as it may be of interest to them in the context of today's hearing.

No. 3B.9 is correspondence, dated Wednesday, 11 March 2015, from Mr. Aidan O'Driscoll, Secretary General, Department of Agriculture, Food and the Marine, concerning vacant properties at fishery harbour centres. The correspondence is to be noted and published and a copy forwarded to Mr. Rodney Gillen. We are now in a position to report on the fishery harbour centres.

Deputy Joe Costello: It appears that the number of vessel lifts at Howth shipyard was 43 in 2012, 39 in 2013 and 48 in 2014. On average, the return in 2014 from each would have been about €1,700. This is described as an operational shipyard in which full marine repair facilities are provided. If that is the average return from the 48 ships or boats that visited the yard in 2014, it seems that it did not do much more than lift up the boats. There is no indication that substantial repairs were carried out, as the entire return for the 48 boats was €84,000. It does not seem as though that yard is undertaking major repairs. May the committee obtain a breakdown of the size of the boats involved and the work that was done on these boats to determine if it was operating to full capacity because it certainly does not look like it was?

Chairman: The figure represents the cost of vessel lifts. The work to vessels is carried out by contractors, not the harbour. Having said that, on the day the committee visited, it was quite clear that the yard was not operating to its full capability. Contractors are also not being catered for in a way that one would expect to generate further business and prevent business from moving elsewhere. It appears that in providing the information the underlining difficulty is being ignored - the attitude to the development of Howth Harbour. With regard to the individuals in business whom we met at Howth there are significant questions regarding a number of matters that we need to deal with in the context of our report. While that may be the response of the Department it certainly falls way short of what is required with regard to the response that the business people in that locality are asking for. From looking at the different sites there the response falls far short of what a commercial operator might do in terms of the development of Howth. There are lots of issues still to be dealt with and we can deal with these issues in the context of the report and raise the fact that there are many other issues at ports around the country of which we are aware. Although it is in court now, the John Shine case is a typical example of how the State ignores the efforts of a businessman to conduct his business and at the same time to resolve issues. It is no way to carry on a business, in my view. The State has a lot to learn from the commercial world which it seems to continue to ignore.

How long will it take for the report to be compiled?

Clerk to the Committee: A couple of weeks I suppose.

Chairman: Members will have input in the report as a result of our visit that day. I ask that we would pay particular attention to it because it is probably the best example I have seen to date of poor practice and poor commercial insights or poor commercial knowledge on the part of the State.

Deputy John Deasy: I agree with the Chairman in so far as Howth is concerned and it is

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hard not to agree. The situation might not be as bad with regard to the other State ports. I did some checking with regard to Dunmore East where there are some vacant buildings and they are looking for leaseholds. There is a difference of opinion among people who actually use the port as to the utilisation of certain buildings within the port but certainly it would not be as bad as Howth.

I am not familiar with the situation in the other four State ports but I spoke to the Minister about this after we had visited Howth. I think it is fair to say that he has an open mind with regard to what the committee might report on. My question is as to where we are going with this report. Are we going to suggest that another State agency be involved in these properties to assist the Department when it comes to the utilisation of the vacant buildings? Sometimes if one takes an adversarial attitude with the Department, one will not get anywhere, but there is probably an opportunity to get something done here. That is the attitude that was registered. What direction does the committee plan to take with regard to the buildings?

Deputy Joe Costello: Can we compile further information about the actual situation? Some 48 boats is a lot of boats. What sort of work was conducted on those boats? Why did Howth have to bring in all that skilled work from outside? It was suggested that other boats were not being catered for in Howth and had to go to other areas to be repaired. I refer to the information in appendix B about the various sites and the stages of work, which shows that there are three properties in Howth which are ready to be considered for tender. Have we any idea of the timescale? I refer to table No. 2 which shows that five properties in Howth not currently in use are subject to legal, operational or planning considerations. I suggest that we request a breakdown of the category of consideration, whether legal, operational or planning and the nature of the difficulty. Such further material would be very useful before we make recommendations as to how to move forward.

Chairman: We will ask for that material. In reply to Deputy Deasy's question, we visited Howth and we have had a hearing with the Department. We will set out what we found and we will make recommendations arising from the input of members. As with other reports we will set out our findings followed by our recommendations. We will have a draft report in a couple of weeks with some recommendations. The members can then decide on the tone and extent of the report.

Deputy John Deasy: From my cursory conversations with the Minister, Deputy Coveney, I think there is probably a willingness to deal with it. There is probably an agreement that, in many cases, some of these buildings are vacant for too long and the processes involved are too lengthy. If we were to collaborate with the Department I think some progress would be made.

Chairman: The same applies to Killybegs. If there was a collaborative effort and a willingness to co-operate, there might not be the conflicts between the Department and individuals. Perhaps the Minister should reconsider the action being taken by the Department in relation to that particular case. We should make that suggestion to the Minister, in view of his willingness, as mentioned by Deputy Deasy. I think we should test his willingness.

No. 3C contains documents relating to today's committee meeting. Nos. 3C.1 and 3C.2 comprise a briefing document and opening statement for today's meeting, all to be noted and published. No. 4 - these are reports, statements and accounts received since the meeting of 5 March 2015.

Deputy Sean Fleming: I refer to the accounts. With regard to the annual financial state-

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ment for Cork VEC there was a problem with internal control and disclosure of details of tax settlements to the Revenue Commissioners in 2013 relating to underpayment of tax. The Comptroller and Auditor General has prepared a special report. Is that report available to the committee?

Mr. Seamus McCarthy: It is with the Minister.

Chairman: We spoke about that report earlier. It is still with the Minister. We are writing to the Minister to ask for the report to be released. There is no reason it should remain with the Minister for this length of time.

Deputy Sean Fleming: That was all I wanted to know.

Chairman: The remainder of the list are all clear audits. We will deal with Dublin Docklands Development Authority later. All these accounts are to be noted.

The next item is the committee's work programme which is shown on the screen. The HSE will appear before the committee next week. On 16 April the Department of Communications, Energy and Natural Resources will attend the committee to discuss the Bytel report, the cross-Border broadband initiative which was the reason for our visit to Stormont some weeks ago. Is the work programme agreed? Agreed.

I refer to the committee's hearing with Údarás na Gaeltachta on the sale of the seaweed. Some issues were raised in a media report on 21 March. With the agreement of members I will ask the clerk to the committee to look at the transcript of that meeting and what is now being reported on in the media, in order to determine that the information we were given was true and accurate and that it does not reflect any discrepancies between the views now being expressed in the media and what was said at the meeting. I will ask the clerk to carry out that short exercise.

Deputy Paul J. Connaughton: Were we made aware at the time of the meeting that due to the sensitive nature of the deal we would only find out the actual price given for the company when the accounts were released the following year? Has it now transpired that they are saying it could take ten years before we will know what that figure was?

Chairman: We were told there was a confidentiality clause in the deal and that they would not reveal the figure until some set of accounts were ready. That was the issue raised in the media report. Does Mr. McCarthy wish to comment?

Mr. Seamus McCarthy: I would expect that there will be information. The deal was done in 2014 so I would expect the 2014 accounts to give some information about the sale.

Chairman: When are the 2014 accounts likely to be available?

Mr. Seamus McCarthy: I do not know whether we have received the draft financial statements yet. In general, Údarás accounts are done in the first half of the year.

Chairman: Some of the information will pertain to the accounts. We will check what was said against what is being reported now. Is the work programme agreed? Agreed. Is there any other business?

Deputy John Deasy: A couple of months ago the Department of the Arts, Heritage and Gaeltacht came before the committee and the spend on the 1916 commemoration was discussed. At the meeting the Secretary General committed to getting back to the committee

specifically on how the money will be spent this year when it comes to remembering the people who died in 1916. He sent us back what I thought was a pretty derisory response approximately five weeks ago. We committed to contacting him and the Department again.

Chairman: There is no reply as of yet. We can send a reminder.

Deputy John Deasy: I am not so sure there will be a reply unless we are persistent. We are speaking about very serious money. I believe €22 million will be spent this year, and the Department has listed six flagship projects, including works at Cathal Brugha Barracks, Kilmainham Gaol and the GPO, the construction of a new visitor centre at Pearse's cottage in Ros Muc and the development of a tenement museum. There does not seem to be any funding to commemorate the people who actually died. Deputy Costello was involved in the conversation we had with the Secretary General, and what we asked was very clear. We should go back and ask the Department what are its additional plans for the €22 million.

Chairman: We can go back and ask.

Deputy Joe Costello: I support Deputy Deasy. There was not a clear indication of how the money is being spent or a full list of activities. It was a very general and limited presentation in this respect. It would be very valuable to have a more thorough and comprehensive account of what is being planned.

Chairman: With regard to correspondence No. 3B.1 on the non-payment of contracts with regard to moneys owed, we will send it to the HSE to alert it to the fact that we will raise it at the meeting next week.

The agenda for Thursday, 2 April is, from the appropriation accounts for 2013, Vote 39 - Health Service Executive, Chapter 14 - Procurement by the Health Service Executive. Today we will examine the Dublin Docklands Development Authority.

2013 Annual Report of the Comptroller and Auditor General and Appropriation Accounts

Dublin Docklands Development Authority: Annual Report and Financial Statements

Mr. Paul Clegg (*Acting Chief Executive Officer, Dublin Docklands Development Authority*) called and examined.

Chairman: I remind members, witnesses and those in the gallery to turn off their mobile phones because they interfere with the sound quality and transmission of the meeting.

Witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by the committee to cease giving evidence on a particular matter and they continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against a Member of either House, a person outside the House or an official either by name or in such a way as to make

him or her identifiable. Members are reminded of the provision within Standing Order 163 that the committee should also refrain from inquiring into the merits of a policy or policies of the Government or a Minister of the Government, or the merits of the objectives of such policies.

From the Dublin Docklands Development Authority, I welcome Mr. Paul Clegg, acting CEO, and Mr. John Crawley, financial adviser. From the Department of the Environment, Community and Local Government, I welcome Mr. Paul Dunne. I ask the Comptroller and Auditor General to make his opening statement.

Mr. Seamus McCarthy: The Dublin Docklands Development Authority was established in 1997 to secure sustainable physical, social and economic regeneration of the Dublin docklands area, comprising approximately 500 hectares north and south of the River Liffey. The authority has a development remit and a planning role.

Members will recall previous hearings into the events surrounding the purchase of the Irish Glass Bottle site in Poolbeg by a joint venture company, in which the authority was a partner. The failure of the joint venture project resulted in significant losses for the authority, which contributed to very difficult financial challenges and gave rise to a major legal case against the authority. Against this background, the Government announced its decision in May 2012 to dissolve the authority and transfer its planning and development functions to Dublin City Council. Legislation will be required to give effect to this decision, and I understand this is being prepared. The actual dissolution date has not yet been determined, and in the meantime, the authority has a transitional business plan in place to resolve the liabilities of the authority through the liquidation of assets, including the transfer of the relevant infrastructure, and to deal with any remaining litigation.

In 2013, the authority disposed of significant investment properties, resulting in a turnover of €21 million, and reported an operating surplus of €2.7 million for the year. This compared to an operating deficit of €5.7 million in 2012.

For 2013, the authority chose to change its accounting policy to show all fixed assets and certain investment assets that were previously held at nil value at their market value. The 2012 comparatives have been restated to reflect the effect of the change in accounting policy on the prior period. As a result of this adjustment, the 2012 net assets increased by €5.2 million to €10.2 million. The 2013 net assets of the authority amounted to €15.2 million.

The authority's liabilities decreased from €24.4 million at end 2012 to €12.7 million at end 2013, and this was funded through the proceeds of the sale of investment assets. The authority continued to sell its investment properties throughout 2014 in order to meet its outstanding liabilities.

The 2013 financial statements were certified on the 23 December 2014, and a clear audit opinion was given. However, on page 16 the audit certificate drew attention to the executive board's compliance statement, which discloses that the authority did not comply with public procurement guidelines in a number of instances. My office is awaiting draft financial statements for 2014 from the authority.

Mr. Paul Clegg: I am the acting chief executive of the authority. I was appointed in March 2014 and I am on secondment from Dublin City Council. I work with the authority two days per week. I am joined by my colleague Mr. John Crawley, the authority's financial adviser. We are here to discuss the 2013 annual report and financial statements and to bring the committee

up to date on developments in the authority since we last appeared in February 2014.

Last week we submitted a briefing document to the committee, to which we will refer to this morning. This briefing covers an update on the recommendations in the Comptroller and Auditor General's Special Report 77, some details on the authority's financial position, and a report on the future development of the docklands.

On 31 May 2012, the Minister for the Environment, Community and Local Government announced the Government's intention to dissolve the authority. A new council and executive board were appointed in June 2012 to the authority to oversee the transition. The Minister envisaged that the authority would remain in place for a transitional period. During that period the authority is required to wind up existing operations, prepare the transition to new arrangements and make recommendations to the Minister on appropriate structures for the future. These structures should ensure the following: the docklands brand and international marketability as an attractive and prime location for investment; that high-value development is maintained and enhanced; that an appropriate fast-track planning regime remains in place; that the local community and the business sector continue to be involved in the regeneration project; and that job creation is facilitated.

In addition, the board has also considered and made recommendations to the Government on how best to achieve the Minister's key objectives for the future regeneration of the docklands in a way that the board considers will build on the positive elements of the authority's legacy in terms of social, physical and economic regeneration. In this regard, following the Government's decision to wind up the authority but to retain an appropriate fast-track planning framework to complete the docklands project, a strategic development zone designation, SDZ, was proposed by the authority and Dublin City Council. The Minister designated the city council as the development agency. On 16 May 2014 the SDZ was approved by An Bord Pleanála and is now effective and operational. Until such time as the authority is dissolved it continues to operate its section 25 planning function alongside the SDZ planning scheme.

The authority's board, executive and council have proposed the creation of a forum under the auspices of the city council to assist it in the regeneration of the docklands area. The Oireachtas Joint Committee on the Environment, Culture and the Gaeltacht has considered the issue of the wind-up of the authority and in its recently published list of 16 recommendations is supportive of the creation of a consultative forum which we understand will be established on a statutory footing. The authority has worked with the city council on the best operational model to be used going forward. A docklands unit has now been established within the city council and is based in the authority's offices in Custom House Quay, ensuring that there continues to be a physical presence in the area to oversee the continued regeneration of the docklands.

A series of key objectives and associated risks were identified to implement the Government decision, as reported on in the 2013 annual statements and these are being addressed and resolved, where possible, in advance of dissolution. As regards the current status of the authority, the legal mechanism for the wind-up is through a dissolution Act. The authority has given significant input to the Department on the dissolution Bill which we understand is expected to be dealt with in the Oireachtas legislative programme during the current session. In terms of wind-up of existing activities, the authority followed two key strategies, namely, the sale of assets to deal with remaining liabilities, where feasible, and the transfer of infrastructure to Dublin City Council. In light of what I understand are the complexities in drafting some aspects of the dissolution Bill provisions, a new board was put in place from 1 January 2015. This board is made up of three members from the previous board and five senior executives from the city council.

In summary, since the successful resolution of the Donatex case and the issues surrounding the Irish Glass Bottle site, the finances of the authority have been stabilised from a negative position of nearly €200 million to an expected positive closing position of some millions. This should be seen in the context of a very challenging legal environment. A new fast-track planning mechanism has been put in place to support the delivery of 2,600 housing units and up to 366,000 sq. m of commercial property, which in turn will create up to 23,000 new jobs. In the past week the first planning permission under the new SDZ scheme was granted by Dublin City Council marking the beginning of a new phase in the regeneration of Dublin docklands. A framework for the local communities' continued involvement in the future regeneration of the docklands has been agreed. Regarding the mandate given by the Minister to wind up the authority, I am pleased to report the work is almost complete. My colleague and I are happy to deal with the committee's queries to the best of our knowledge and ability.

Chairman: Thank you, Mr. Clegg. May we publish your statement?

Mr. Paul Clegg: Yes.

Deputy Joe Costello: I welcome the witnesses. We received a statement from a previous chair, Professor Niamh Brennan, on this matter. Mr. Clegg mentioned the special report by the Comptroller and Auditor General regarding No. 77. Professor Brennan, to quote one section in summary of what she had to say about her term as chair from 2009 to 2012, wrote:

I think it is a shame that the Dublin Docklands redevelopment project foundered on a single, high-risk, Irish Glass Bottle site throw of the dice, bringing the Docklands development authority from a cash-rich, successful organisation to the brink of insolvency and irretrievable reputational damage. Irish taxpayers and the local Docklands community deserve better.

I suppose she is not quite accurate once we go through No. 77, the special report and what Mr. Clegg has said himself in his own report, which he gave to us earlier. It is clear that there is a total legacy of failure in the operation of the docklands authority from 1997 until roughly 2009. There were issues of governance, financial matters and internal systems of financial control. The board itself was not being informed about decisions that were taken; there was seemingly an internal cabal there. There was a conflict of interests, with the CEO of the Dublin Docklands Development Authority going to Anglo Irish Bank straight from the docklands.

It seems as though the entire planning process was compromised by the development requirements with the result that, as Mr. Clegg says in his final remarks, the authority has now stabilised from a negative position of nearly €200 million to a positive position. Of course, the glass bottle site was the last throw of the dice and was a total disaster. Could Mr. Clegg comment on that in the first instance? What is his opinion on what happened with his predecessors in the job for a start, and on the operation of the Dublin Docklands Development Authority over a ten-year period or a little longer? Does he agree with the summation I have given of the operation of the docklands?

Mr. Paul Clegg: I will refer back to my opening statement. I am in position as CEO since March 2014. The reports the Deputy referred to predate my time with the authority. However, I do note in the Comptroller and Auditor General's special report that the board chaired by Professor Brennan had implemented a recommendation and reviews of its planning and financial management systems. That situation is in play to this day. I can only comment on what I know myself in the time since the authority has been under my stewardship.

Deputy Joe Costello: Could I follow on and refer to the final item in the Comptroller and Auditor General's report? He says there was non-compliance with public procurement guidelines, despite the fact that this had been brought to the attention of the authority in 2010 and 2012. Two consultants were engaged because of their previous knowledge in 2013 without any tender process. These contracts amounted to €116,383. A third contract amounted to €501,106 in 2013 and was the subject of a restrictive competitive tender process. It was not advertised in the Official Journal of the European Union as required by the EU directives for contracts in excess of €125,000. Why did this procedure continue even though it had been brought to the attention of the authority by the Comptroller and Auditor General on a number of occasions beforehand?

Mr. Paul Clegg: The procurement issue the Deputy referred to concerns Crawley Business Consulting Limited and my colleague, John Crawley, is director of that company. The requirement for procuring a financial advisory service arose first in 2010 when the then finance director resigned. There was an embargo on recruitment in the public service and the authority put out a tender for the provision of financial services. This was done on three occasions, in May 2010, March 2013 and November 2014. In each case, Crawley Business Consulting Limited was the successful candidate.

The procurement issue relating to March 2013 which is under review in our financial statements was that when the service was put in place, it was expected that the authority would be wound up eight months later. The dissolution date at that time was November 2013 and any residual unfinished work would be carried over to the successor of the authority. Due to circumstances beyond our control, the wind-up of the authority was delayed. This was due to complications regarding significant planning matters. In 2013, we were faced with the dissolution being extended to June 2014 and the board had to continue the orderly sale of assets and liabilities. Had the wind-up taken place in November, these activities would have been carried out by the authority's successor.

During 2013, there was a greater workload on the authority. This was when the authority was starting to dispose of its assets and vigorously working to collect moneys owing to it. At the same time, the authority's staffing went from 15 down to four. There was more work to be done, the authority was in wind-up mode and the staff were leaving. Understandably, when staff knew the authority was to be wound up, they sought other jobs. Therefore, given the short-term extension of the board, the financial services contract was not put out again to tender.

When I came on board in March 2014, the deadline date for dissolution was June 2014 and we were working towards that date. The wind-up did not take place in June 2014 and the dissolution date was extended to December 2014. In August, I carried out a review of procurement compliance and put the service out to tender again. I suppose what occurred is that the authority would have made the decision in 2014 that there would be a wind-up in November so it used a restricted procedure. In hindsight, there is no doubt the better course of action would have been to go for an EU tender competition and we did that subsequently. However, we need to look at the context at the time the decision was made in 2013. The wind-up was to be in November, staff were leaving and there was additional work. Also, the authority was operating in a complex legal environment. It defended a £100 million claim, the bankers were going to call in loans, it looked as if its overdraft facility would be withdrawn and it had to negotiate a new overdraft and it had to deal with the complexity of selling assets within the docklands. This was a complex work environment. All things considered -----

Deputy Joe Costello: I agree it was complex. Clearly, over the years that complexity was

not properly acknowledged through following good practice. However, in 2012, the Comptroller and Auditor General brought this issue to the authority's attention, but in 2013 there was the same lack of procedure in regard to the tender and no proper tender was sought. We are talking about over €100,000 in one case and over €500,000 in the other. Once the Comptroller and Auditor General brought the issue to the attention of the authority, it should have responded automatically so that he would not have to bring it to our attention now again in the 2013 report.

Mr. Paul Clegg: There was a tender process in 2013 for financial services - a restricted competitive tender process. That decision was made in 2013.

Deputy Joe Costello: Does Mr. Clegg think that it was good enough to have a restricted competitive tender process for a contract worth €500,000 without doing what the Comptroller and Auditor General had asked the authority to do in 2012?

Mr. Paul Clegg: I agree. With the benefit of hindsight ----

Deputy Joe Costello: We understand the circumstances, but does Mr. Clegg acknowledge that the wrong practice was followed, despite the fact the Comptroller and Auditor General had brought the issue to the authority's attention? I realise Mr. Clegg was not in the job at the time.

Mr. Paul Clegg: I am looking at the authority's position in January 2013, when it made the decision to have a restricted tender process and the circumstances at the time. In hindsight, the better course of action would have been to go to an EU tender competition.

Deputy Joe Costello: Has Mr. Crawley any views on the matter?

Mr. John Crawley: I will not comment on my particular procurement, but will speak about the other two in order to provide the committee with a full account. The Deputy referred to three tenders in his question. One of the other two tenders related to VAT consulting services. When we commenced the asset disposal programme in mid 2012, we reverted to the previous tax advisors who advised us, on the basis of the authority's records, when we acquired those assets. In other words, the assets had been acquired over a period of time and we reverted to the previous tax advisors as we did not have in-house VAT experience. When we went to the tax advisors we had previously procured, we discovered that a key person involved in the advice who had the particular corporate knowledge had left the organisation and set up her own business.

We followed the trail to her business. At the time, we took the view that there were good technical reasons as to why we would operate that contract to a single economic operator. We acknowledge that best practice was not followed by not putting it out to open tender. However, we felt there was critical knowledge available and given the short timeframe we had available to sell the assets, we engaged the services of that person. That person has been engaged to see out the remaining work. There are no further instructions to be given to that person at this time. In the event something new arises that is not particular to the past, we have now accessed the DCC tender panel where we can procure VAT services.

We had a second contract in regard to ducting networks which had been installed in the authority over the period 2000 to 2008. A firm was procured for that piece of work. In or around the time of the economic collapse, the authority put all expenditure on hold, including expenditure on the ducting network. Unfortunately, the ducting network fell into some financial and operational disrepair as a result. When I came on board, we took up that issue and reverted to the people who had been running the contract previously and asked them to finish out a piece

of work. We did not put that out to tender at that point because we felt they had the specific corporate knowledge. Frankly, we did not have the records ourselves to be able to do the work. Subsequently, when we got it under control, we put it out to tender and it is currently on a short-term tender, pending a strategic decision in conjunction with the SDZ as to what we want to do with ducting networking in the future.

In summary, we accept we did not follow best practice, but we were in a particular set of circumstances.

Deputy Joe Costello: Has Mr. Crawley any comment to make on his own case?

Mr. John Crawley: I was the recipient of that contract, which I tendered for three times over the period in question. I would not comment on that.

Deputy Joe Costello: Was that the €500,000 contract?

Mr. John Crawley: Correct.

Deputy Joe Costello: That was in 2013. What about 2012?

Mr. John Crawley: I had that contract as well.

Deputy Joe Costello: What about 2011?

Mr. John Crawley: In 2012 I had that contract, rolling forward from a contract in mid 2010.

Deputy Joe Costello: Was it the same contract value - €500,000 - in each case?

Mr. John Crawley: No. It is not a fixed price contract. It is a per hour contract and depends on the amount of resources drawn down.

Deputy Joe Costello: It constituted €500,000 in 2013. Is that correct?

Mr. John Crawley: Yes, in 2013.

Deputy Joe Costello: Is this the contract referred to in the Comptroller and Auditor General's 2010 and 2012 reports in terms of compliance?

Mr. John Crawley: Yes.

Deputy Joe Costello: Does the Comptroller and Auditor General wish to comment on the matter? Is he satisfied with the response?

Mr. Seamus McCarthy: By drawing attention each year to an unsatisfactory situation, there are public procurement guidelines and rules. If an organisation does not follow those rules it leaves itself open to challenge from other potential bidders for this kind of work. There is a risk and, while convenience and specific circumstances in an organisation can be presented as reasons why people decide not to comply with the procurement, that is not satisfactory.

Deputy Joe Costello: Can we be assured that procedures are in place to prevent it from not happening again?

Mr. Paul Clegg: That is correct.

Deputy Joe Costello: In regard to deferred pension funding, the Department of Public Ex-

penditure and Reform made a decision to take on the authority's pension obligations. I understand the cost of this was approximately €8 million. What is the current position in this regard given that some good work has been done to deal with the deficit so that there is a surplus of approximately €8 million in the authority? I presume that the surplus will increase further as other assets are disposed of. Is the Department still obliged to take on the responsibility for pensions?

Mr. John Crowley: As the situation is somewhat complicated, I ask the Deputy to bear with me. While the authority was an operating authority it accounted for the liability on its own balance sheet. That is not the norm in the public sector. Normally in the public sector, pensions are accounted for on a pay-as-you-go basis. The liability is still in the order of €8 million. On the wind-up of the authority, we started to close out issues of liability, among which were pensions and balance sheet adjustments, which I will refer to later. We asked the Department for guidance and it was agreed that pension scheme obligations would be taken over by the State. Ultimately the decision as to where that is to rest remains outstanding but because it was to be taken over by the State we were no longer going to account for it on our balance sheet and we thus wrote it back. The State is currently carrying a future pension liability of approximately €8 million, based on the valuation from 2013, which will have to be met at some point in time. Separately, it appears that the asset position of the authority will be in the order of several millions of euro, possibly as high as €9 million. As we are a State agency under the auspices of the Department, those proceeds go back to the Department, which will make the decisions on how they should be dealt with in the future. We are still working with the Department and Dublin City Council, which will take over many of the responsibilities of the authority, to decide exactly where those liabilities will be met and how the assets can be used to fund them. Approximately €1.1 million of the liability of €8 million will arise in the next five years and a further €1.2 million will arise over the following ten years. This is because the staff working in the authority were relatively young and, therefore, their deferral dates are quite far into the future.

Mr. Paul Dunne: The Department's view is that the liability remains with the State and it is not unreasonable that the assets would be used to fund liabilities. That is a matter for the Minister on dissolution.

Deputy Joe Costello: The expectation is that the assets will cover the liabilities.

Mr. Paul Dunne: Yes.

Deputy Joe Costello: I read in today's *The Irish Times* that a serious problem has arisen on Longboat Quay in respect of 300 residents of an apartment complex built by Bernard McNamara. There are serious concerns about standards followed on fire safety, etc. How is that going to play out in terms of liabilities with the authority if faults are discovered?

Mr. Paul Clegg: The Deputy asked a financial question. This issue came to our attention in June 2014. At the end of the day, fire safety is about the residents of Longboat Quay. When we became aware of the issue we immediately appointed our own fire safety consultant in conjunction with the fire services department. On the recommendation of the consultant we put fire marshals in place to ensure that a detection process is available in the event of any emergency and that people can be evacuated safely. In working with the management company, we made sure that communication was entered into with residents. A letter was sent from the management company to all owners and residents and Dublin Fire Brigade also sent a fire safety leaflet and a fact sheet outlining the key questions. The next stage of work was the installation of fire alarms. We have paid for the marshals and the fire alarms, and that work has just been completed. Our immediate reaction was not to consider the liability issues but to make sure people

were safe. The main issue arising was a deficiency in the fire alarm system, which is in the process of being resolved. We have put in place a good detection and evacuation process. The next stage is to examine in detail the remaining deficiencies in each department. This is a question of compartmentalisation, where fire proofing is done within individual units. Through our fire safety consultant we are in the processing of assessing the extent of that work. To date the authority has spent €1 million to ensure people are safe in Longboat Quay and the next stage involves identifying the remaining work required.

Deputy Joe Costello: Is the authority accepting liability for the matter? I understand Longboat Quay is in receivership. Mr. McNamara went into receivership. Is it likely that the entire cost will fall on the authority and Dublin City Council in the same manner as the council had to pick up the tab for Priory Hall?

Mr. John Crawley: First and foremost, the liability rests with the developer. The Deputy is correct that the developer, the McNamara organisation, is gone. There is no right of recourse to the developer. We are currently quantifying the scale of the cost and investigating where the liability can arise. Behind the scenes there are still some avenues that we can pursue. As not everybody is gone, there is a right of recourse in some cases. On behalf of the State we will follow any third party that should have been held accountable to ensure accountability. Liability will rest somewhere between the State and the owners of the property in that development.

Deputy Joe Costello: Is the authority checking other properties in regard to their compliance with the safety regulations abused in this case?

Mr. Paul Clegg: There are six residential developments in the docklands with which the authority has been involved. These are managed by management companies. In most cases, professional managing agents have been engaged and they carry out their own investigations. There are two developments in respect of which issues have been raised, one of which issues is around fire safety. The management companies are, as we speak, actively managing this process effectively.

Deputy Joe Costello: In regard to the sale of unit 16 Hanover Quay to the U2 band, perhaps Mr. Clegg would update the committee on the circumstances of that sale, including how it came about, the circumstances around it and why that unit appears to have been sold for a very small sum considering its location.

Mr. John Crawley: The Deputy's question relates to the sale of a property at 16 Hanover Quay, which has recently been concluded. We are comfortable that we followed a process that allowed us to achieve a fair market value for the property. The sale of this particular development arose in the context of the sales programme of the authority to cover its significant liabilities. The code of practice for State bodies provides that in exceptional circumstances such bodies may follow a process outside of competitive tendering. We accept that competitive tendering is the best practice. We discussed this at the time with the National Procurement Office, which advised us that we needed to be clear in our objectives and the audit trail, and to ensure appropriate reporting in that regard, which we have done. We engaged professional valuers, as did the people who purchased the property. Between the two sets of valuers an open market price was arrived at. This open market price was derived in late 2013. There was a comparable property on the market at that time, in not dissimilar circumstances to this particular property and very close to it. It sold for €99 per sq. ft. We achieved €144 per sq. ft. for the property we sold. We were comfortable that we did achieve the open market price, based on professional independent valuation and benchmarking it against a comparable sale that took place in or

around the same time. In terms of value for money, we are comfortable that we achieved that.

Deputy Joe Costello: In the following year the property was insured for €150,000 more than the €450,000 for which it was sold, which means it increased in value very rapidly.

Mr. John Crawley: That information was reported on in the media some time ago.

Deputy Joe Costello: The exact amount reported was €598,000.

Mr. John Crawley: Correct. That was a reference to a draft proposal given to us by an insurance broker. To be technically correct, it was not the insured value at that point in time. What was more important to us was that we could establish what we considered to be the open market value of the property. In this regard, we relied on professional advice and benchmarking.

Deputy Joe Costello: Who were the valuers?

Mr. John Crawley: Lambert Smith Hampton.

Deputy Joe Costello: Why was the property not publicly tendered?

Mr. John Crawley: There were some related issues to this development. This was a property that was on a strip of other properties that were subject to some compulsory purchase orders. We had it in our mind at the time that those properties would all be acquired and levelled and a borderwalk-boulevard created. That was not proceeded with because the authority ran out of funds to continue any development in or around that time. Part of the CPO transaction at that point in time was that we were going to rehouse the people in the property. However, we were not in a position to do that.

Deputy Joe Costello: Who were the people in the property?

Mr. John Crawley: The U2 operation.

Deputy Joe Costello: Was the property leased to them?

Mr. John Crawley: Yes.

Deputy Joe Costello: I presume the property was subject to CPO not from U2 but from the owner.

Mr. John Crawley: There are a number of properties side by side. We were in the process of acquiring the property next door by way of CPO.

Deputy Joe Costello: I am confused now. Was the property about which we are speaking subject to CPO or not?

Mr. John Crawley: We acquired that property in 2004.

Deputy Joe Costello: The authority acquired the property in 2004 through CPO for the purpose of knocking it down.

Mr. John Crawley: Yes. Under the same CPO-----

Deputy Joe Costello: We are speaking about a property located on the waterside on Hanover Quay.

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Mr. John Crawley: Correct.

Deputy Joe Costello: From who did the authority acquire it?

Mr. John Crawley: We acquired it by way of CPO from Harry Crosbie.

Deputy Joe Costello: From Harry Crosbie and not U2?

Mr. John Crawley: Yes.

Deputy Joe Costello: Would it not have been reasonable then to ask the person from who it was acquired by way of CPO if he wanted to purchase it?

Mr. John Crawley: I would like to clarify my response in regard to the Deputy's first question as I may have created some confusion in that regard. The property about which we are speaking, No. 16 Hanover Quay, was acquired by the authority by way of CPO. The CPO covered a range of properties. Property No. 18 Hanover Quay was owned by U2. We were also envisaging acquiring that property by way of CPO. In doing so we would have been obliged to rehouse U2 into what would later become the U2 tower on the Quays. That transaction did not complete.

Deputy Joe Costello: Is Mr. Crawley suggesting that U2 was *in situ* at the time the property was acquired under CPO?

Mr. John Crawley: They were a sitting tenant at the time the property was acquired under CPO.

Deputy Joe Costello: Is Mr. Crawley sure that U2 had a lease on the property at that time?

Mr. John Crawley: Yes.

Chairman: They had a lease on No. 18 Hanover Quay.

Mr. John Crawley: They were the owners of No. 18 and tenants of No. 16.

Mr. Seamus McCarthy: I am not sure they were at that time.

Deputy Joe Costello: Can Mr. Crawley stand over that?

Mr. John Crawley: I can have that record-----

Deputy Joe Costello: As I understand it, at that time U2 were the owners of No. 18 and their lease on No. 16 had expired.

Mr. John Crawley: They were in occupation in No. 16.

Deputy Joe Costello: If that is the case they were, presumably, squatters.

Mr. John Crawley: No.

Deputy Joe Costello: They either had the property under lease or they did not.

Mr. John Crawley: We were collecting rent from them over that period. They might have been on a lease or, perhaps, a licence but they were *in situ* in the property when we acquired it.

Deputy Joe Costello: Why did the authority offer, in an improper procurement fashion, an

option to purchase to people whose lease had expired when it had not in the first instance offered it to the person from whom the property had originally been acquired under CPO?

Mr. John Crawley: We took the view that in the round given that we had indicated that we were going to CPO No. 18 - which is the property next door to No. 16 - we would have been obliged to provide accommodation for them elsewhere, which would have cost us money and we were not in a position to do that. They were willing to buy the property from us on a pure, open market basis set by two professional valuers.

Deputy Joe Costello: I am sure everyone around the table here would love to buy that property, which must be worth nearly €5 million at present. It is the site which is valuable and not the piece of property itself, which is an old warehouse. However, no one had the option. It was not public knowledge. No one was offered it. For some reason it was decided that this particular band should be offered it behind the scenes and without a proper procurement policy being followed. It was done in a very secretive fashion. Why was it that way? Is that the way business was done? This is what is described in special report No. 77 and in the report by Professor Brennan. Deals were done behind the scenes. Is this not what we are trying to get away from all the time?

Mr. John Crawley: It is not accurate to characterise it as a deal done behind the scenes.

Deputy Joe Costello: How else was it done? No one knew about it.

Mr. John Crawley: There is a provision in the code of practice for exceptional circumstances. We took advice on it at the time and we considered it carefully. We had related issues with the counter parties which we also wanted to make sure were put to finality. We did not want to have any remaining issues outstanding as we are in wind-up mode. In the round, we considered that the process we followed was going to achieve best value money for the taxpayer, eliminate any other potential liabilities and achieve an open market price. We achieved €144 per sq. ft., benchmarked against €99 per sq. ft. in a comparable transaction for a comparable property in or around the same time. We believe we got value for money.

Deputy Joe Costello: It is very difficult to agree with Mr. Crawley on the basis that it is obviously not the property *per se* but the development value of the property and the location of the site which is important. Mr. Crawley was not even aware that the lease had expired. It seems to me that this deal was of a type which we have been very critical of the Dublin Docklands Development Authority for having conducted over the years. Were there similar deals of this nature which were done without proper tendering and proper procurement practices being followed?

Mr. John Crawley: I apologise for not having all the facts about the legal contracts on the property at the time. I am comfortable that they were tenants *in situ*. I will come back to the committee to clarify the wording around the exact legal form. We considered on its merits every asset we have sold since the dissolution of the authority. This is the only transaction in which we used this particular procurement route provided for in the code of governance. In each of the others, we offered them to the market on an open tender basis or an open sale basis. This is the only one for which we took this particular exemption provided for under the code.

Deputy Joe Costello: That raises a further question. Why did it take place? Why did the work take place in 2013 and continue in 2014? Mr. Crawley says that it was just completed recently.

Mr. John Crawley: There are a couple of reasons.

Deputy Joe Costello: When exactly was the deal done and the final signing of contracts?

Mr. John Crawley: I will consult my notes. The final sign-off of the deal was in January of this year. October 2013, when the negotiations were concluded, was a particularly busy time for the authority. It was in the middle of dealing with many other transactions. It did not at that particular point close out all the paperwork relating to the transaction immediately. Why? It was because we had competing priorities and the other issues to which I referred needed to be bottomed out. We understood at the time that there were potentially other stakeholders who might be concerned about this because the new SDZ planning scheme was being put in place. Therefore, the new planning regime which was to operate in that area re-thought the strategy for that particular area in Hanover Quay. The SDZ planning scheme encourages and welcomes the continued presence of that area which is considered to be a cultural-heritage part of the area. We allowed a pause period of some time in the event that someone would want to raise any issues on it. Subsequently, we closed the transaction in January of this year.

Deputy Joe Costello: I will finish on this point. Was Mr. Crawley aware that this issue had been raised prior to January 2015 in this committee?

Mr. John Crawley: At a discussion.

Deputy Joe Costello: Yes, and concerns were expressed about it.

Mr. John Crawley: We may have discussed it when we were here last year.

Deputy Joe Costello: There were specific concerns raised about it in this committee before the contracts were signed. I am not sure if it was raised prior to that because I was not a member of the committee at the time. However, concerns would have been expressed about the failure to provide the proper tendering process, the lack of public knowledge about what was going on and the fact that there was a compulsory purchase order. It would seem that in any sort of reasonable ethical circumstances, the first option would have gone to the person from whom the property was bought, if the authority was doing it in that sense and was trying to justify why it might be done without proceeding with full tendering. All these issues had been raised, but the authority proceeded with it. We had indicated at an earlier stage that we wanted to speak to the authority when the new Comptroller and Auditor General's report was presented. The authority signed it up prior to this meeting taking place.

Mr. John Crawley: To be clear, as far as we are concerned, the agreement dates from October 2013.

Deputy Joe Costello: Was the agreement sacrosanct at that stage?

Mr. John Crawley: Yes.

Deputy Joe Costello: It was tied down?

Mr. John Crawley: Yes. We believe so.

Deputy Joe Costello: What did Mr. Crawley do in January 2015?

Mr. John Crawley: It took us some time to formalise the sale and to execute the transfer of the property to the buyer. To repeat myself, we had competing priorities at the time. We did not complete all the paperwork immediately and it took us some time, given that we had agreed an open market price with the buyers, to ensure all the other issues were dealt with. We wanted

to have it all wrapped up together, which we did successfully, and we are comfortable that all those issues have been dealt with. I am aware of the issue the Deputy is raising. There was some communication possibly towards the back end of last year. In the round, we considered all those issues and we still looked into our hearts and were comfortable that the right decision had been made, the right process had been followed, appropriate due diligence had been done, the right sales price had been achieved and any potential outstanding liabilities or other commitments in relation to that whole transaction had now all been dealt with.

Deputy Joe Costello: Does the Comptroller and Auditor General have any final remark?

Mr. Seamus McCarthy: No, except my recollection is that Deputy Costello raised questions about this in December. I cannot remember whether I was expecting to sign off on the financial statements or had done so at that stage, but Deputy Costello discussed it at the meeting in December. On the point on which I intervened earlier, I accept Mr. Crawley's knowledge of the case that U2 would have been occupiers of the premises at the time of the acquisition of the property.

Deputy Joe Costello: Even though they had no lease.

Mr. Seamus McCarthy: I do not know about that. Mr. Crawley said he will provide a note.

Mr. John Crawley: I may be able to clarify that issue for the Deputy before the close of the meeting, but I do not have the file with me. If I have an opportunity to clarify that particular point for the Deputy before we finish, I will.

Chairman: On a point of clarification, did the authority acquire No. 18 by CPO from Mr. Crosbie?

Mr. John Crawley: No.

Chairman: No. 16?

Mr. John Crawley: No. 16 and, to be complete, No. 12.

Chairman: From Mr. Crosbie?

Mr. John Crawley: Correct. No. 18 was owned by and continues to be owned by U2.

Chairman: What was the settlement figure on Nos. 16 and 12?

Mr. John Crawley: The CPO value was €5.1 million.

Chairman: Some €5.1 million?

Mr. John Crawley: Yes. I can give the dates.

Chairman: Are Nos. 16 and 12 similar properties?

Mr. John Crawley: I do not know the split of the square footage.

Chairman: Roughly, however, in construction.

Mr. John Crawley: They were similarly constructed buildings.

Chairman: Would those properties be similar to No. 18?

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Mr. John Crawley: Yes, they were in a line.

Chairman: So for two properties, Nos. 16 and 12, the authority settled for €5.1 million.

Mr. John Crawley: In April 2004, yes.

Chairman: Then for No. 18?

Mr. John Crawley: We had not actually arrived at a value for No. 18 because we never proceeded with the CPO.

Chairman: How much was No. 16 sold for?

Mr. John Crawley: For €450,000.

Chairman: For €450,000?

Mr. John Crawley: Yes.

Chairman: In 2004, the authority settled on two similar properties, Nos. 16 and 12 for €5.1 million.

Mr. John Crawley: Correct.

Chairman: Then in 2013-----

Mr. John Crawley: At the end of 2013, we sold it for €450,000.

Chairman: -----it sold No. 16 for €450,000.

Mr. John Crawley: Correct, and we have recorded a significant loss on that transaction, Chairman.

Chairman: Mr. Crawley can do his maths all right. Who made the decision to sell it in that way?

Mr. John Crawley: In October 2013?

Chairman: Yes.

Mr. John Crawley: It was the board of the authority.

Chairman: Who was on the board at that time?

Mr. John Crawley: It was the outgoing board of the authority.

Chairman: Who was chairman of the board?

Mr. John Crawley: Mr. Tierney.

Chairman: So it would have been the board's decision, under Mr. Tierney, on advice that they would go this route?

Mr. John Crawley: Correct.

Chairman: In the board minutes, were they made aware of the significant losses that were about to be incurred?

Mr. John Crawley: Yes.

Chairman: What did the board minutes say? Did they say that they were going to go this route and that there was a certain potential loss, but regardless of that, they were going this route? Would there be minutes of the board meeting to that effect?

Mr. John Crawley: There would be a minute of that. The board would have been aware of the-----

Chairman: The board was aware?

Mr. John Crawley: Yes. The board was aware of the original cost of it.

Chairman: What was the original cost?

Mr. John Crawley: It was €5.1 million for two properties.

Chairman: That is for Nos. 16 and 12?

Mr. John Crawley: Correct. They would have been aware that there was a significant loss on this transaction. The difficulty with this-----

Chairman: What was the board's thinking? What did the minute tell Mr. Crawley concerning this property?

Mr. John Crawley: In substance, the minute will have reflected that the board needed to sell this, among all its properties, to extinguish its liabilities. Its role was to ensure it got the best value in the current market. It was a very difficult economic market in which we were selling this property.

Chairman: In 2013.

Mr. John Crawley: Yes. Unfortunately, this is something the board has had to deal with concerning several properties it has had to sell.

Chairman: Let us not get into the several properties. Let us just deal with this property. Does Mr. Crawley have a copy of the minute of the board meeting that dealt with the decision to go in the way it did and take the route it did to sell this property?

Mr. John Crawley: I do not have a copy here, but we have a copy.

Chairman: Can we have a copy?

Mr. John Crawley: Absolutely, yes.

Chairman: Can we have a copy of any advice that the authority received about going in this direction in order that we can determine, from reading it, the type of thinking that was going on within the board at that time, and what knowledge they had concerning the potential losses they were about to incur on the sale of this property at €450,000?

Mr. John Crawley: Yes.

Chairman: In spite of what Mr. Crawley says about the property market at that time, there were transactions taking place throughout the country at that time. Yes, losses were incurred, but they did not sell the property in the way the authority did. They sold properties on the open

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market. I want to know why they took the route they did to sell this property in the way they did. Mr. Crawley's information from the minutes of that board meeting and the advice he got at that time would be of interest to us as a committee. They would certainly inform us as to how he approached all of this. Is that okay?

Mr. John Crawley: Absolutely. The cold reality is that they will point to two things.

Chairman: No. I want Mr. Crawley to give it to us. We will decide whether it is cold or not. Mr. Crawley said earlier on that he looked into his heart to decide this, but that is not exactly where one should look when one is selling a property. One's heart does not have much to do with it. Is No. 18 still owned by U2?

Mr. John Crawley: It is my understanding that it is.

Chairman: I am sorry for delaying Deputy McFadden, but I want to clarify one other issue. As regards the long-boat, the fire marshals were put in place.

Mr. John Crawley: Yes.

Chairman: Can Mr. Crawley explain that to me? What did they do?

Mr. John Crawley: Their job, in effect, was to provide a physical alert system.

Chairman: How many were employed there?

Mr. John Crawley: There probably would have been a team of maybe a dozen fire marshals. There are two blocks.

Chairman: What was the cost?

Mr. John Crawley: The cost ran to probably about €400,000 or €500,000 over a period.

Chairman: How long were they there for?

Mr. John Crawley: They were there from July 2014 until last month on a reduced basis, as the new fire alarms were installed.

Chairman: So from July 2014 up to last month, €500,000 was paid out for fire marshals? That was the cost of them.

Mr. John Crawley: Correct.

Chairman: How much did the fire alarms cost?

Mr. John Crawley: In or around the same.

Chairman: Half a million euro?

Mr. John Crawley: In or around, yes. Hence, as some of my colleagues said, we spent about €1 million.

Chairman: So it worked out at about €1 million?

Mr. John Crawley: Yes.

Chairman: Who carried out the estimation of the cost of fire-proofing the building?

Mr. John Crawley: The management company has engaged a small professional team to do that piece of work at the moment. I do not actually have the names to hand in terms of who they are.

Chairman: Will they report back to Mr. Crawley on this?

Mr. John Crawley: They will.

Chairman: Can we have a copy of that report?

Mr. John Crawley: It is not yet issued.

Chairman: No, but when Mr. Crawley has it.

Mr. John Crawley: When it comes through, we can, yes.

Chairman: Okay. Mr. Crawley referred to the right to recourse. What did he mean by that? If the company is bust, where is he going?

Mr. John Crawley: There could have been professional advisers to that company.

Chairman: So it is indemnity insurance.

Mr. John Crawley: It is indemnities, insurance and things like that, so the management-----

Chairman: Mr. Crawley will be chasing that for a while.

Mr. John Crawley: The management company is dealing with that. We are giving it some assistance.

Chairman: Mr. Crawley will have an interest, will he not, because he will want to recoup some of the cost?

Mr. John Crawley: Absolutely.

Chairman: If this report comes back and tells Mr. Crawley, as it will, what work is required to be done, who is going to pay for that?

Mr. John Crawley: That issue has yet to be decided, Chairman.

Chairman: Will Mr. Crawley come back and tell us about that, too?

Mr. John Crawley: We can. As I said earlier on, it will be somewhere between the State and the owners of the property.

Chairman: That is fine and that might be the geographical location about it in Mr. Crawley's head, so to speak, but we need to know how much we are exposed to in terms of that work. Can Mr. Crawley come back and let us know that?

Mr. John Crawley: Yes.

Chairman: I want to clarify another issue. Mr. Crawley gave a figure to Deputy Costello concerning the cost of his own contract for one year, 2013. Was it €500,000?

Mr. John Crawley: In 2013, it was €500,000.

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Chairman: What was it in 2012?

Mr. John Crawley: Can the Chairman bear with me for one second? It was €315,000.

Chairman: In 2012?

Mr. John Crawley: In 2012, yes. Different numbers of people were involved in each of the years.

Chairman: Okay, so what about 2010 and 2011?

Mr. John Crawley: I do not have the 2010 number in front of me, Chairman. It was more than €100,000 in 2010, but that was a-----.

Chairman: Okay and in 2011?

Mr. John Crawley: In 2011, it was about €240,000.

Chairman: In Mr. Crawley's opinion, or in the opinion of the chairman of the board, is that the only way this work could have been completed in terms of contracting it out? Was that the least expensive way of doing it?

Mr. Paul Clegg: The financial adviser resigned in 2010. The chairperson at the time wrote to the Department seeking permission to advertise to bring in a new financial adviser, but with the public service moratorium in place, that permission was not given.

Chairman: Did Mr. Clegg get a letter of refusal?

Mr. Paul Clegg: It is just on the record. I would need to check that letter but that has always been our understanding.

Chairman: What Mr. Clegg is saying is that with the State exposed to all the potential losses and all the moneys and the properties that were being managed by this authority, Mr. Clegg was refused permission to appoint another financial adviser.

Mr. Paul Clegg: There was a public service moratorium in place at the time.

Chairman: I did not ask that. That is essentially what happened.

Mr. Paul Clegg: That is what happened.

Chairman: That forced the board to recruit in the way it did, or not so much recruit but to go out to tender to get a contract in and so on.

Mr. Paul Clegg: That is right.

Chairman: Does that make financial sense at all? I know that was not Mr. Clegg's decision.

Mr. Paul Clegg: If one needs financial services to operate or to manage quite complex financial deals, one needs expertise.

Chairman: I understand that but it is a complete nonsense, although not on Mr. Clegg's side, that given the role the board was carrying out and the extent of the properties it was managing or selling, the State would not have immediately ensured it had appointed an appropriate ongoing financial adviser rather than a contracted one because the money spent was significant.

It was €100,000, €240,000, €315,000 and €500,000. Was it a roll-over of that contract this year?

Mr. Paul Clegg: We tendered again in 2014 under EU-----

Chairman: What was the 2014 contract?

Mr. Paul Clegg: It was €580,000 for four people.

Chairman: Did the board get a contract for 2015?

Mr. Paul Clegg: The current contract in place will operate for 2015.

Chairman: It is rolling on an hourly cost of-----

Mr. Paul Clegg: It is on an hourly basis.

Chairman: In view of the fact the board is rolling downwards, or folding up the tent, so to speak, would Mr. Clegg not have expected the costs in 2014 and 2015 to reflect that?

Mr. Paul Clegg: Significant work took place in 2013 and 2014.

Chairman: Is the board mainly made up of officials from Dublin City Council?

Mr. Paul Clegg: From the city council, since January.

Chairman: What is the expertise across that board?

Mr. Paul Clegg: Three current board members are from the old board. The current board is chaired by the chief executive.

Chairman: What is the expertise there? Is there accountancy, property and governance expertise?

Mr. Paul Clegg: We have senior city council officials as well as-----

Chairman: What expertise do they have in regard to the commercial world in which the board operates?

Mr. Paul Clegg: Our internal auditor, Mazars, is providing oversight as well for the workings of the board. It is expected that the board-----

Chairman: How much does Mazars cost?

Mr. Paul Clegg: I do not have that figure to hand.

Chairman: Mr. Clegg might get it for us.

Mr. Paul Clegg: I will get that figure for the committee.

Mr. John Crawley: Could I respond to Deputy Costello's question because I have the answer to it? When we acquired the property at 16 Hanover Quay, the tenants were *in situ* under a licence agreement.

Chairman: What were they being charged?

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Mr. John Crawley: The rental number is somewhere in the region of €55,000 to €60,000 per annum. That is based on the current one but it may have been indexed back slightly at the time.

Chairman: They were paying €60,000 per year.

Mr. John Crawley: Correct.

Chairman: When?

Mr. John Crawley: In more recent years, that is what they were paying. I would need to go back to check what they were-----

Chairman: Using a multiple of ten or 12 in regard to the rent, it makes the €450,000 look a bit odd.

Mr. John Crawley: It does. That is a massively over-rented property value in our opinion.

Chairman: What multiple would Mr. Crawley use in that area?

Mr. John Crawley: I would not disagree with the Chairman's multiple.

Chairman: Ten or 12.

Mr. John Crawley: I would use a multiple of eight to ten as a proxy but at €60,000 per year in the market in which we were at the time, it was significantly over-rented. I think the economic market rent - I can say it now that the sale has closed - would have been closer to approximately €32,000 per annum if one looks at the rentals for similar properties at the time.

Deputy Joe Costello: Had the lease changed? Mr. Crawley said it was under a licence. Was there a short term lease initially or was there a change in the circumstances?

Mr. John Crawley: There was a change in the terms but not in the circumstances. We continued on with the core commercial terms of the transaction.

Deputy Joe Costello: Did Mr. Crawley say it was a licence rather than a lease?

Mr. John Crawley: Yes.

Deputy Joe Costello: When and why did that happen?

Mr. John Crawley: I do not know why.

Deputy Joe Costello: Can we get some further-----

Mr. John Crawley: I can provide the Deputy with the detail.

Chairman: Can we get a detailed report on both the lease and the licence?

Mr. John Crawley: Yes. There is no difficulty providing the committee with that additional information.

Deputy Gabrielle McFadden: Before moving on to what I want to talk about, like Deputy Costello, I must state my extreme discomfort with 16 Hanover Quay. The word on the ground is that €450,000 was way below the market value for the property. Have there been other secret

deals? Have there been other deals since then, or are there any in the pipeline at the moment similar to that one? Mr. Crawley said the deal was done at the end of 2013 but was not signed over until January 2015 and that competing priorities at the time slowed down the process. He also said in passing - I do not remember the exact words used and would have checked them - that the time was being used to give others a chance to express an opinion. I was always told that if one gives two excuses, then one does not believe the first one. If Mr. Crawley says there were competing priorities at the time and that time was being left for people to come in on it, then he does not believe either of them. The fact it took from the end of 2013 to 2015 to sign over on a deal that is way below market value is quite extraordinary. Were there secret deals or are there any in the pipeline? When making that decision, did the board know who it was dealing with and who the purchaser was at the time? If I knew who I was dealing with, I would not sell it for way below the market value. Will Mr. Crawley clarify that for me?

Mr. John Crawley: By all means but I might just answer the Deputy's questions in reverse order. The board absolutely knew the counter parties involved, so we had full transparency on that. Unfortunately, I have to reiterate that in our view, we were achieving best market price. I reference that we got €144 per sq. ft. against a comparable property for €99 per sq. ft. in the market at the time.

Deputy Gabrielle McFadden: That does not make any difference. It does not matter if someone else is selling at the wrong price. What is the site value? This is not the building but the site, so that does not make any difference. If one person is selling at the wrong price, it does not make it right for another one to sell at the wrong price.

Mr. John Crawley: That was the benchmark price that was available at the time. I have no reason to believe the other transaction that took place was not an open market price. We believe it was an open market price. To answer the Deputy's question in regard to the method we used, I confirmed to Deputy Costello, and I will do so again, that in this particular case, we used this particular procurement route, which was an exception and to be used in exceptional circumstances. We took it under advice. This is the only one on which we took this particular route. In all the other cases we sold by tender arrangements. We have very few transactions left to take place, and those which have yet to take place are taking place on an open competition basis.

Deputy Gabrielle McFadden: It seems there is an issue with compliance. Considering the three tenders we discussed earlier along with this, there is a serious issue that has already been highlighted and continues to exist. I will return to the three tenders discussed earlier and the other one. Two of the other tenders do not relate to the Dublin Docklands Development Authority, but is there a connection between the two parties involved with those tenders and any member of the board? The witness mentioned a lady who was doing some work for the authority. Is there a connection between those two people and the board members that would be similar to that outlined by the witness?

Mr. John Crawley: No. One of the processes that the board goes through on a regular basis occurs when it becomes aware of counter-parties is to ensure there is no conflict of interest with respect to anybody being discussed. Occasionally, board members may be involved with other business activities.

Deputy Gabrielle McFadden: There is no personal connection.

Mr. John Crawley: There is no connection with either of those.

Deputy Gabrielle McFadden: The witness is sure and happy about that?

Mr. John Crawley: We have gone through due process on that. Absolutely.

Deputy Gabrielle McFadden: Okay, although due process up to this has not been ideal. I am not comfortable with anything I have heard so far, and that is why I am asking the question. With respect to the debt collection process, in 2013, bad debts were €4.7 million. That included a write-off of €327,000 and a reduction in the provision of €5 million.

Mr. John Crawley: Yes; it was approximately €5 million.

Deputy Gabrielle McFadden: How did that happen? How did that provision arise?

Mr. John Crawley: The second item is slightly easier to answer. The €327,000 write-off related to a debt where, unfortunately, the counter-party went bust. There may have been two parties. The €5 million figure related to provisions made by the authority in previous years in respect of development contribution levies that had been billed on developers in the area who were not paying those levies. Those levies became of concern to previous boards and they marked a bad debt provision against those debts. We subsequently negotiated to have those debts recovered, which we are now doing. Therefore, we were in a position to write that provision back. In other words, we no longer needed a bad debt provision and we are now able to secure the collection of those debts.

Deputy Gabrielle McFadden: How many debtors are we talking about?

Mr. John Crawley: Two.

Deputy Gabrielle McFadden: With regard to staff numbers, there were seven in 2013 and 15 in 2012. How many are there today?

Mr. John Crawley: One.

Deputy Gabrielle McFadden: Mr. Clegg is on a two-day secondment. How efficient is that with regard to the working process?

Mr. Paul Clegg: It works okay and does not affect efficiency.

Deputy Gabrielle McFadden: What about the staff who are no longer there? There were seven in 2013 and there is now one staff member. Have the other six been redeployed?

Mr. John Crawley: I have a table which indicates what has happened to the staff from when we announced the winding up of the authority. When we made that announcement, we had 15 staff.

Deputy Gabrielle McFadden: That was back in 2012.

Mr. John Crawley: When the Minister announced the intention to dissolve the authority, it had 15 people. A number of people were on fixed-term contracts, and three contracts expired. That leaves 12 people, and of those, six people were redeployed under the Government's re-deployment system in the authority. Two people resigned their positions and two took redundancy. One person retired and one other person remains.

Deputy Gabrielle McFadden: How much money has been paid in redundancy?

Mr. John Crawley: Close to €70,000 has been paid out in redundancy.

Deputy Gabrielle McFadden: I thank the witness. Anything else I wanted to ask about had already been asked. That is the nature of coming last in the questioning.

Chairman: Mr. Crawley mentioned two debtors. Is it between the two that the €5.8 million in development fees has been collected?

Mr. John Crawley: Yes.

Chairman: Who are those two?

Mr. John Crawley: Is it appropriate to mention debtors' names?

Chairman: It is appropriate.

Mr. John Crawley: One is the Point Village operation and the other is the Danninger operation.

Mr. Seamus McCarthy: I think it is Dunloe Ewart.

Mr. John Crawley: Yes. Mr. McCarthy is correct.

Mr. Seamus McCarthy: Danninger was smaller.

Chairman: The *Jeanie Johnston* is also the DDDA's responsibility.

Mr. John Crawley: Yes.

Chairman: That has been written down from a valuation of €750,000.

Mr. John Crawley: Correct.

Chairman: It is down to €150,000.

Mr. John Crawley: Yes.

Chairman: Will you explain that?

Mr. John Crawley: We procured an open market valuation of the *Jeanie Johnston* when we were producing the 2013 accounts, which valued her at €750,000. Coming up to the closing of the accounts-----

Chairman: What year was that? Was it the previous year?

Mr. John Crawley: It was for the end of 2013. We secured a valuation at the end of 2013 of €750,000. When we were coming to finalise the accounts, one of the steps was to ensure nothing had happened before signing off the accounts that could impair the value of the asset. As it happens, with the ship, we had the opportunity to put it into dry-dock, and when we did so we discovered that there were difficulties with the woodwork on the boat. We did not have a proper valuation, so we took a very conservative view and wrote the value down to €150,000 at the time. We have subsequently had a valuation which probably puts the value closer to €600,000.

Chairman: What was the value of the work carried out in dry-dock?

Mr. John Crawley: That was in the order of approximately €50,000.

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Chairman: How much was spent by the State? I am referring to the *Jeanie Johnston*. There were grants and subsidies.

Mr. John Crawley: You are referring to the original acquisition. I am not sure I have that number.

Mr. Paul Clegg: The figure in my head is approximately €2 million. I am not sure.

Mr. John Crawley: It could have been €1.8 million or €1.9 million.

Chairman: It was bought by the DDDA for approximately €2 million.

Mr. Paul Clegg: It was in or around that.

Chairman: Before the purchase for €2 million, the *Jeanie Johnston* got a large amount of State aid in the form of grants. That was before the delegation's time. Does Mr. McCarthy have an idea of the figure?

Mr. Seamus McCarthy: I do not have it here, but we can certainly get it.

Chairman: It was bought for €2 million and it is now worth approximately €600,000.

Mr. John Crawley: That low valuation-----

Deputy John Deasy: It was €14 million, which is quite big. We are not talking about an amount of €3 million or €4 million.

Mr. John Crawley: The Deputy is referring to the amount that might have been spent prior to our taking it over.

Deputy John Deasy: Yes.

Mr. John Crawley: I can only comment on the numbers since we acquired the vessel. What is influencing the valuation at present is the fact that it is not seaworthy in terms of being operated as a sail training ship, which was the original plan. If some money was spent on bringing it up to sail training standard, then obviously the value would be significantly higher. However, the costs involved are prohibitive.

Chairman: To what use will the ship now be put?

Mr. Paul Clegg: It is berthed on the Liffey and the plan is to retain it there as a tourist attraction in order to animate the river.

Chairman: So the €50,000 that has been spent will allow the DDDA to do that in safety and the vessel will really only be used for tourism purposes.

Mr. Paul Clegg: Yes. It has the potential to increase visitor numbers.

Deputy John Deasy: Am I correct in stating that it has been berthed on the Liffey for five years?

Mr. John Crawley: Yes; at least five years.

Deputy John Deasy: When was it placed in dry dock? Was it last year?

Mr. John Crawley: Yes. We had not put it into dry dock in a number of years and, unfortunately, this caused-----

Deputy John Deasy: The original cost to the State of the vessel was €14 million. In view of the fact that serious water damage has been discovered on board, how much money will be required to make it seaworthy? Difficulties arose in respect of the *Jeanie Johnston* approximately four years ago and I seem to recall that it was estimated that the cost of making it seaworthy again would be €100,000. It was determined that it would not be feasible to proceed at the time. Were repairs made in 2011 or was the vessel just left berthed in Dublin Port? What is the history of this matter? Given that €14 million was spent on the project initially, did leaving it in the water for four years constitute adequate care for the vessel?

Mr. John Crawley: We will clarify the cost. I do not believe the authority paid anything of the order of €14 million for the vessel, but perhaps the State did so.

Deputy John Deasy: I am not saying the authority paid €14 million; I am saying the State did so.

Mr. John Crawley: In the years 2009 to 2013, inclusive, the authority was not in a financial position to deal with the project so the board did not prioritise spending on it. That is not to say that we did not monitor developments in respect of the vessel, and I must point out that we have a maintenance contract arrangement for it. We are obviously able to ascertain from the inside of the vessel where issues arise from time to time. We have also used divers to inspect the hull of the vessel externally. It is difficult to get a full picture unless the vessel is removed from the water entirely. Best practice would be that such a vessel would be placed in dry dock every two years.

Deputy John Deasy: So the authority knew the vessel was deteriorating but it did not have the money to deal with the problem.

Mr. John Crawley: Yes.

Deputy John Deasy: Did the authority contact any Department which might have had resources available to facilitate work on the vessel? How much is it going to cost to repair the vessel now in light of the damage that has already been done?

Mr. John Crawley: Initially, we spent €50,000 on the vessel in dry dock, and subsequently, we have probably spent a further €25,000 or €30,000. At this stage we are comfortable that it is in a stable condition. Everything under the waterline is fine and we are currently repairing damaged woodwork above the waterline. The funding has been put in place to bring the vessel up to standard in order that it might be used as a tourist or visitor attraction. The vessel is not at the required standard to allow it to be used for sail training. The figure I provided is approximately 12 months old but it would cost of the order of €500,000 to bring the vessel up to sail training standard.

Deputy John Deasy: What is its future? Will it remain in Dublin Port?

Mr. Paul Clegg: The plan is that the asset will be transferred to Dublin City Council, which will use it as a visitor attraction on the Liffey. The immediate or short-term plan is not to bring it back to a standard whereby it could sail. It is purely to be used as a tourist attraction. There is a possibility that tourism numbers will increase as a result of its being used in this way.

Deputy John Deasy: So the city council will be responsible for funding ongoing repairs when it assumes responsibility for the vessel. Has Mr. Clegg discussed that matter with the council?

Mr. Paul Clegg: Yes.

Deputy John Deasy: And the council is prepared to proceed on that basis?

Mr. Paul Clegg: Yes. In terms of animating the river, a lot of possibilities arise. It would be a shame to remove the vessel from the river, and the decision has been made that it is going to be managed as a tourist attraction. There is potential to have a sufficiently robust business model in order to increase visitor numbers.

Deputy Joe Costello: That is one of the assets of the Dublin Docklands Development Authority that is going to be transferred to Dublin City Council. Are there many other assets that will be transferred? If so, what is the value of these?

Mr. John Crawley: Yes. The assets fall into two categories. There are those which we have in our accounts, and the principal ones that will be transferred to the city council are the offices at Custom House Quay and the extensive ducting network that operates throughout the IFSC and Grand Canal Dock areas. These are the two substantial assets, and the Jeanie Johnston is included with them. There are then a number of other assets which, in public authority parlance, we refer to as “infrastructure”. We will, therefore, also be transferring roads, bridges, lighting, the Campshires, etc., to Dublin City Council.

Deputy Joe Costello: We are awaiting the dissolution Bill, and perhaps Mr. Clegg will provide an indication as to when he believes this will come on stream. The authority was originally established as the Custom House Docks Development Authority in 1986 and it became the Dublin Docklands Development Authority in 1997. It has been in existence for well over a quarter of a century and its activities have left a very bad taste in the mouths of the members of local communities. Sheriff Street lies cheek by jowl with the docklands development area, DDA. There is 100% employment in that area, but in Sheriff Street there is an unemployment rate of over 60%. The level of community gain has been very limited. Some €7 million was supposed to be spent on a school but that development never materialised and neither did the local employment charter and the 20% commitment attaching to it. Can Mr. Clegg indicate how this is going to be rectified in the new strategic development zone? Many developments occurred during the Celtic tiger period and there are now many iconic buildings, office blocks, etc., in the DDA. The area is a very desirable location for companies that are seeking to establish operations in the city. Nevertheless, development there has led to the creation of a ghetto-type situation. The evidence of this is now more stark than ever, and something must be done in the context of the SDZ to eliminate the poverty and deprivation that exist cheek by jowl with enormous affluence and 100% employment.

Mr. Paul Clegg: As I said in my opening statement in respect of the potential relating to the undeveloped lands, some 23,000 jobs could be created. Just over 50 acres remain to be developed, and that is why we put in place the strategic development zone, SDZ. We also have a fast-track planning process in place. As I pointed out earlier, the first planning permission was granted by Dublin City Council on Friday last. When one is going to create 23,000 jobs, the trick is how to ensure local employment. We are going to include a clause in our planning permissions to encourage contractors and developers to work with the city council in order to ensure that we will maximise opportunities for local people. As we all know, however, this is

not enforceable contractually.

The Deputy referred to the local labour charter, which has been taken on board in the context of the Grangegorman strategic development zone. The Dublin City Council office in the docklands is seeking to upgrade that local charter. More importantly, we have engaged quite effectively with the local employment services in Amiens Street and Pearse Street. We are trying to identify the industries that are coming to the Docklands so that if we know that in two or three years a particular industry will come, the local employment service can contact this industry with a view to establishing its employment needs. If those employment needs can be catered for within the local employment service's records, good, but if not there is an opportunity to train people. The local employment services are quite excited about this. There is an opportunity here to get real, local jobs. The people to use this are the local employment services. They are the State bodies. They are the experts. We are working very closely with them right from the start. I am optimistic about this, but local employment charters are not enforceable. There is real potential if there is close work between us, developers - NAMA is interested in this - and the local employment services to get real local jobs.

Deputy Joe Costello: I acknowledge Mr. Clegg's commitment to all this, but we had all this for 25 years, virtually. We had the local employment charter, which the docklands authority ran a coach and four through. The developers brought in people from outside, who rented houses in the area, and pretended it was local employment. The local employment services were in operation for the last 20 years as well and did not deliver the jobs. Can we ensure in some way that the new structures that are put in place have teeth, so that they deliver on the jobs, apprenticeships, education and commitment? In the original vision there was a statutory requirement by the Docklands Development Authority that equal priority would be given to social and economic regeneration. That was honoured in the breach rather than in the observance.

Mr. Paul Clegg: I can only say we are entering into a new era. Dublin City Council has an office in the docklands, in the old local authority office. We have an SDZ. There is a commitment from the city council to do all in our power to have real social regeneration. We are accountable as an organisation at city council and here. If we do not perform, we are accountable. There is a dedicated team of people working in the docklands who have real enthusiasm to ensure we get real jobs. We have a good platform here to get real jobs into the future but we will see. It will not be from a lack of effort on the part of the city council that we do not have positive results on this.

Deputy Joe Costello: Thank you.

Chairman: There may be an opportunity under the legislation to debate the future possibilities and social dividends.

Deputy Joe Costello: That would be great. I do not know whether Mr. Dunne knows how far the dissolution Bill has gone at this stage, but perhaps that legislation could incorporate not just the dissolution of the old docklands authority but also a positive statement of structures required going forward.

Chairman: I am sure Mr. Dunne can relay that to the Department. Perhaps he could give us an update now on the current status of that.

Mr. Paul Dunne: The drafting of the dissolution Bill is at a very advanced stage and we shortly hope to go to Government for approval to publish the Bill. The delay has been caused

by some complex issues around planning but we are very much ready to go. Within that Bill, there is provision for the community forum. As the-----

Deputy Joe Costello: An implementation structure will be required.

Chairman: Maybe that could be put in legislation. Deputy Costello has a central role there.

Deputy Joe Costello: To what extent the Department is open to what we were just suggesting, that there would be structures in place that would be clearly able to deliver what we are looking to deliver? The existing structures certainly did not do it. They failed dismally. Even though we are at an advanced stage, is there still scope within the Bill to look at this particular area, so that we can get some real community gain and we do not say at the end of the SDZ process that it is more or less the same as what happened before? We do not want that.

Mr. Paul Dunne: The Bill, as per the heads agreed by Government, is about the dissolution of the authority and the transfer of its functions to Dublin City Council. The Department has worked with Dublin City Council to try to put structures in place.

Chairman: If Deputy Costello sent the transcript of this part of the meeting to the Minister, to draw his attention to the legislation and to the proposals he has made, it might be of assistance.

Deputy Joe Costello: I thought that might be fleshed out further with Dublin City Council.

Deputy John Deasy: Sorry, but I am going to go back to the Jeanie Johnston. Something is niggling at me about the statement Mr. Crawley made last week when he said that in previous years he did not have the resources to provide the maintenance and repairs for the Jeanie Johnston. Unlike other museums, people are charged to go on the boat. It is €9 per adult. It is not like going to the National Museum. How much revenue has been accrued over the last five years from visitors to the boat and where did that money go?

Mr. John Crawley: There is actually a care and maintenance programme on the boat. Let me not give the impression that we have done nothing with the ship. All of the revenues that come in from the fees we collect are pumped straight back into maintaining the boat. Best practice is to take a boat like that out of the water every two years or so and do an examination. That is an expensive process. It costs in the order of €50,000.

Deputy John Deasy: Could Mr. Crawley give us the specifics? This thing cost the State €14 million. How much per year is generated from visitors to the boat?

Mr. John Crawley: It is probably slightly less than €30,000.

Deputy John Deasy: Around €30,000 per year. Mr. Crawley is saying that money is put directly back into the boat every year and there is no overrun of that €30,000 to put into a specific maintenance fund for dry docking and the repairs that go with that?

Mr. John Crawley: Correct.

Deputy John Deasy: There are a couple of places in Howth that would take it. About €150,000 would be generated over the five years. Does that sound right? That is as much as it has generated.

Mr. John Crawley: Correct.

Deputy John Deasy: What is the general maintenance bill every year?

Mr. John Crawley: Whatever we collect, we plough back into the maintenance.

Deputy John Deasy: Mr. Crawley says they plough back-----

Mr. John Crawley: There is a relatively stable through-flow of visitors. It is somewhere around €30,000 a year, which is what we spend on the ship each year.

Deputy John Deasy: It is amazing given the amount it costs to build the boat that the revenue generated every year is so low.

Mr. John Crawley: As my colleague said, one of the things that needs to happen is a better strategy around what can happen with that ship.

Chairman: What are the running costs for the staff on the ship?

Mr. John Crawley: I do not have the breakdown between the staff and the maintenance costs.

Chairman: If €30,000, which is the turnover in terms of paying visitors, is being put back into the maintenance, what is the cost of running the operation apart from that? Is it being run at a loss?

Mr. John Crawley: The contract that we have for maintaining the ship is effectively a zero-cost contract in that the revenues all go into running costs, except that we insure the vessel separately.

Chairman: What is the insurance on the vessel?

Mr. John Crawley: It is somewhere in the region of €15,000 a year.

Chairman: The insurance is €15,000 and the turnover is €30,000.

Mr. John Crawley: Yes, so the real cost to the State is about €15,000 a year.

Chairman: It is a loss.

Mr. John Crawley: It is yes.

Chairman: What staff are employed on this ship?

Mr. John Crawley: The staff are not employed by the authority. It is part of the contract we have with a supplier. I cannot remember the name of the company.

Chairman: How much is the DDDA paying the contractor?

Mr. John Crawley: Sea-Cruise Connemara is the name I think.

Chairman: Is Mr. Crawley saying the *Jeanie Johnston* is subcontracted to somebody who runs the museum, puts the staff on board, does the maintenance and has charge of this €30,000 turnover?

Mr. John Crawley: Yes.

Chairman: What does the DDDA get for that contract?

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Mr. John Crawley: We get the ship maintained. We get no financial return.

Chairman: The DDDA has given this ship of State, which has cost €14 million or more, and has cost the DDDA €2 million, to a company for zero cost to run this visitor centre. Does that company make money out of it?

Deputy John Deasy: Is there a contract with regard to reasonable care of the asset?

Mr. John Crawley: There is, yes.

Deputy John Deasy: Was reasonable care provided for, given that it is now damaged? Was that part of the contract for sub-contracting of services?

Mr. John Crawley: We believe there was. We have to take responsibility for the fact that we did not provide the facility for it to be dry-docked. That is our responsibility.

Chairman: What is the DDDA's responsibility?

Mr. John Crawley: To ensure the ship is dry-docked every couple of years.

Chairman: Does the DDDA pay for that?

Mr. John Crawley: We pay for that.

Chairman: The DDDA pays the €50,000 is that right?

Mr. John Crawley: For dry-docking.

Chairman: Every couple of years.

Mr. John Crawley: Every couple of years. Then we pay the insurance-----

Chairman: What happens when it has been dry-docked and repaired? Does the DDDA pay the repair as well?

Mr. John Crawley: If there are any significant repairs they would be for us to do. If they are routine repairs they effectively come out of the gate fees.

Chairman: It costs the DDDA €15,000 a year and approximately €25,000 a year in dry-dock and €25,000 for the repair work.

Mr. John Crawley: If one viewed it on a long-term basis it probably, as it is currently run, which is the challenge my colleague mentioned, how to improve visitor numbers, it costs the State in the region of between €40,000 and €45,000 a year. The challenge is to get the visitor numbers up.

Chairman: No. The insurance costs €15,000 per year and it is €25,000 if one splits the €50,000 into two per year.

Mr. John Crawley: Correct.

Chairman: Then the repair work costs approximately €25,000 a year?

Mr. John Crawley: No, the first time we had a big repair bill was this year.

Chairman: How much was that?

Mr. John Crawley: It was close to €50,000.

Chairman: Therefore in that year it cost €65,000.

Mr. John Crawley: That is correct for that year.

Chairman: Are there any other annual costs for the *Jeanie Johnston*?

Mr. John Crawley: No.

Deputy John Deasy: Mr. Crawley mentioned €30,000 accruing from the real figure but the ship continues to lose €45,000 per year for the State. Is that right?

Mr. John Crawley: Yes, based on the current visitor numbers.

Deputy John Deasy: That has been the case for five years.

Mr. John Crawley: Yes.

Deputy John Deasy: On top of the €14 million the State pumped into this it has continued to lose revenue. Is there any glimmer of hope that in the future it might stop losing money?

Mr. Paul Clegg: I think there is potential for it as a tourist attraction on the river. The aim is to break-even. The river suffers from lack of animation. The port is beyond the East Link. I was involved in the Tall Ships Race in 2012. Part of the strategy for the docklands is animation of the river. The city council decided not to take the *Jeanie Johnston* off the river and it will try to develop a sustainable tourism model into the future. CHQ is developing a diaspora centre. There is potential to increase tourist numbers going to the docklands which will have a positive spin-off effect on the numbers using the *Jeanie Johnston*. It is for the future.

Chairman: We asked Mr. Crawley for a lot of extra information. That will be recorded and we would like him to bring that forward as efficiently and quickly as possible.

Mr. John Crawley: That is not a problem.

Chairman: Separate to that, he might give us the exact figures for the *Jeanie Johnston*, which was the subject of a Comptroller and Auditor General's report some years ago. I would like the Comptroller and Auditor General to let us know the extent of the State's input into it. Regardless of how one views it, the ship costs the State a considerable sum of money every year. If it goes to Dublin City Council it will continue to cost, unless the council has a business plan. The taxpayer is picking up the bill. The *Jeanie Johnston* has found the perfect home in the DDDA, given the history of the DDDA. We now have to quantify this for the taxpayer and, as it stands, it is not acceptable. The longer this meeting and the other investigations go on the more we find out about the different elements that are losing money behind the bigger sums we are considering. Could we have all the information we have asked for and all the information on the *Jeanie Johnston*? If Dublin City Council has any idea for a business plan it might outline that to us. We would like to have that as soon as possible.

Deputy John Deasy: What does the DDDA value it at?

Mr. John Crawley: If I were to produce a set of accounts today I would probably value it at €600,000.

Chairman: Who carries out the valuation?

Mr. John Crawley: There is a marine specialist company which I think is called Promara.

Chairman: Did that company give the valuation of €600,000?

Mr. John Crawley: Yes.

Deputy John Deasy: It is worth €600,000.

Mr. John Crawley: Yes, approximately €600,000. We have not confirmed that valuation. The last formal valuation was at the end of 2013 when it was worth €750,000. The board wrote it down by €150,000 at the last minute when we were finalising accounts. We informally asked the valuer, based on what the dry-docking had shown, what impact that would have. We are not finalising a current set of accounts now but when we do that we will get a formal valuation of the asset.

Chairman: Does the DDDA not have a formal valuation to back up the figure of €600,000?

Mr. John Crawley: I have asked the valuation company to give me a view based on the impact of the dry-docking and it has a view-----

Chairman: It has not seen it or given the DDDA a written valuation.

Mr. John Crawley: It has been involved in supervising the dry-docking.

Chairman: Can Mr. Crawley ask it for a valuation so we know where we stand? If Mr. Crawley and that company say it is worth €600,000, we want to know formally that is the case.

Deputy John Deasy: Mr. Clegg has been involved in detailed talks with Dublin City Council about this and its plan for the river. I understand what he says about both sides of the East Wall and the riverscape. Is it possible for us to contact Dublin City Council and ask for its plans with regard to revenue and what it will do with it, where it plans to locate it? As the Chairman said, we are dealing with taxpayers' money. The DDDA is offloading it onto Dublin City Council so let us ask the council.

Chairman: The Dublin city manager is chairman of the board and half the board at least is made up of council officials.

Mr. Paul Clegg: That is correct.

Deputy John Deasy: In other words we are asking the same people.

Chairman: Can we ask the board, with the view of giving this ship to Dublin City Council what the council has in mind for it, the cost involved and the business plan? That is what Deputy Deasy wants to know.

Mr. Paul Clegg: Sure.

Deputy John Deasy: It cost €14 million. The witnesses understand where I am coming from. The public at some point deserves to know there is a possibility in the future this could be revenue neutral or even make a slight profit. It is not acceptable that it continues to make a substantial loss after costing so much money and because of the news stories in the past week about its water damage and having to be repaired in dry dock, which costs a lot of money, some kind of business plan and outline for its future is necessary. If that can be relayed to the Comptroller and Auditor General I think we should do that.

Deputy Joe Costello: I might try and be a little helpful here. We are talking about the docklands and there is no visitor centre as such in the docklands. The docklands has enormous heritage and history. There is a very fine group of people who are mainly ex-dockers and others who are interested in heritage and history that set up a group a couple of years ago. They have looked at how they might preserve the history of the docklands and acknowledge the fact that it was the area where so much happened in terms of port activity, cargo and all the rest. They have looked for a site for an exhibition area, a visitor area, a cafe and to be self-sustaining and so on. It might just be possible that the *Jeanie Johnston* could be brought into a structure that would provide a major visitor centre for the docklands which would be self-sustainable. Those talks and discussions have been ongoing. There is also the famous diving bell in the docklands which is unique and the port and docks which are close by as well. If all of that was taken on board by Dublin City Council - the port and docks, the Department and a particular site that could be identified on the campshire of the River Liffey - then that type of location would preserve all the history of the docklands. Perhaps it could bring in the *Jeanie Johnston* as part of that and a visitor centre could be created.

Chairman: Perhaps Mr. Dunne and Mr. Clegg might liaise with Deputy Costello to see if they could get a meeting going with the partners that have been outlined, and the group, in order to determine how best that agenda might be served. Will Mr. Dunne take charge of this matter and give a report in due course?

Mr. Paul Dunne: Yes.

Deputy John Deasy: Based on what Deputy Costello has said and the basic opinion on the visuals for the river, one must ask the following question. Based on the losses encountered over the past five years, is it in the right place? Would the vessel be better off located at Grand Canal Dock or somewhere like it where one has access to the DART? There is not great access to where it is located on the quays at the moment. If it is losing that much money surely consideration needs to be given to relocation? Notwithstanding what has been said about the river, for as much as I know about the docks and docklands, one must consider moving the vessel to a different location.

Chairman: Before doing so, I ask Mr. Dunne to examine the suggestion put forward by Deputy Costello.

Deputy John Deasy: I mean as part of the response to the committee. I have made a fair point which deserves a response.

Deputy Joe Costello: There might be difficulty with having it as a stand-alone unit as a visitor centre. In the broader context, it could prove to be a sustainable development.

Chairman: That is why I have asked Mr. Dunne to arrange for the stakeholders here, including the group mentioned by Deputy Costello, to meet in order to see what progress can be made.

Mr. Paul Dunne: Yes.

Chairman: We will bring the meeting to a conclusion. We will sign off on the statement for 2013 as soon as we get all of the information outstanding from today's meeting returned to us. I thank the witnesses and members for attending.

The witnesses withdrew.

COMMITTEE OF PUBLIC ACCOUNTS

The committee adjourned at 12.55 p.m. until 10.30 a.m. on Thursday, 2 April 2015.