

# DÁIL ÉIREANN

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## AN COMHCHOISTE UM SHLÁINTE

## JOINT COMMITTEE ON HEALTH

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*Dé Máirt, 29 Eanáir 2019*

*Tuesday, 29 January 2019*

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The Joint Committee met at 2.30 p.m.

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### MEMBERS PRESENT:

Deputy Stephen S. Donnelly,	Senator Colm Burke,
Deputy Bernard J. Durkan,	Senator Rónán Mullen.
Deputy Alan Kelly,	
Deputy Margaret Murphy O'Mahony,	
Deputy Kate O'Connell,	
Deputy Louise O'Reilly,	

In attendance: Deputies Richard Boyd Barrett, John Brassil and Danny Healy-Rae and Senator Marie-Louise O'Donnell.

DEPUTY MICHAEL HARTY IN THE CHAIR.

### **National Children's Hospital: Discussion (Resumed)**

**Chairman:** This meeting is to examine in detail the reasons for the huge projected cost overruns at the new national children's hospital and the impact those increases will have on other capital projects in the health sector. On behalf of the committee, I welcome the Minister for Health, Deputy Simon Harris, Mr. Jim Breslin, Secretary General of the Department of Health and Ms Fionnuala Duffy, principal officer in the Department of Health. I draw the attention of witnesses to the fact that by virtue of section 17(2)(l) of the Defamation Act 2009, 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 any person, persons or entity by name or in such a way as to make him, her or it identifiable. Any opening statements that have been made to the committee may be published on its website after the meeting. Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the House or an official either by name or in such a way as to make him or her identifiable.

This is our third meeting on this issue. We met with the development board of the hospital and, last week, we met the Department and the HSE, amounting to almost nine hours of evidence in total. The issue relates to cost escalation. It has been explained to us that the complexity of the process was at the heart of some of the cost escalation. The proposal is to build the best hospital in the world, a digital hospital that will be environmentally friendly and appropriate for patients and parents. The fundamental factor relates to the two-stage process, which did not properly determine the total cost of the project. It would appear that the Government did not put a total cost on the project so the overall impression is that it has gone out of control and this will have a knock-on effect on the capital programme for years to come. It is not just about the children's hospital but other elements of health reform and expanding capacity.

We had requested the Department of Public Expenditure and Reform to present to the committee and we continue to make the invitation. The Department has not yet accepted the invitation but we are hopeful it will come before us as we feel it has a responsibility in allocating the extra funding of €450 million. It would also have had a part to play in the drawing up of Government contracts so we feel it should attend.

My only question to the Minister is to ask him for his overall impression of what has happened, so that we can get a sense of what the Department feels is responsible for the cost escalation.

**Minister for Health (Deputy Simon Harris):** I thank the Chairman for inviting me and for facilitating my attendance in the scheduling of the meeting. I have watched nearly all the hearings of this committee very closely and I am very much aware of the extensive engagement it has had and will continue to have. The Committee of Public Accounts will also engage on the issue later this week and I will be back at this committee next week with senior HSE manage-

ment for our quarterly exchange. We will continue to scrutinise this issue for quite some time.

When the overrun became apparent to me, it would be an understatement to say I was very disappointed, very concerned and very frustrated. These are serious sums of taxpayers' money so it is right and proper to get to the bottom of exactly what happened and to seek answers. That is why the Government did not decide to simply proceed with the project. I will get to why we made that decision because it has been a little bit lost in the conversations I have been following up to now. We decided that we would proceed with the project but we also decided that, while doing so, we would also have an external review. That external review will be published and brought to Government. It will be shared with this committee and I expect everybody to come before the committee to answer questions. I will not, however, pre-empt the outcome as regards where accountability lies, which is something I have seen creeping into the debate on the issue. We have seen what happens when the Oireachtas does not afford people due process and I do not think that is a very good way of carrying out parliamentary business.

I will make three brief points. First, this project is under way. I have heard people in these committee rooms describe it as a big hole in the ground at St. James's Hospital but it is not that. The building is under way and the outpatient urgent care centre in Connolly Hospital is due to open in a couple of months, while the sod is due to be turned on Tallaght. The project is finally under way. It was first discussed in the Oireachtas in 1962. Approximately €40 million of taxpayers' money was wasted on the project trying to build it on the Mater site but it is now under way. We should not lose sight of what it is doing. I have heard very detailed discussions about bed numbers, equating the entire cost of the project to bed numbers. I respectfully suggest that this somewhat misses the point. For example, our children's hospitals today have 14 theatres. This new national children's hospital will have 22 theatres. If you look at any of the data, Chairman, more operations, day case procedures, inpatient procedures and emergency department attendances will be catered for. There will be a new model of care. I heard people over the weekend ask why we would be building an expensive roof garden on the top of this hospital and suggesting the children could go to the many parks in Dublin. That level of ignorance about the project shows a lack of understanding that these are some of the sickest kids who will spend months and months in hospital.

Yes, this is an extremely expensive project. None of what I have said is to take away from my serious concerns about the cost overrun. Ministers are presented with options. When the cost overrun became apparent to my Department in August, when the level and scale of it became apparent to my Department in November, when we then engaged with other colleagues across Government and brought it to Government in December for a decision, I really had three options that I could take. The first option was to pause the project. I am not pausing the building of the national children's hospital. It has been paused far too many times. There are kids who are now adults who have kids who are hoping to benefit from the national children's hospital. The second option was to re-tender the project. I heard somebody suggest we should have a chat with the builder. All of the expert evidence was that re-tendering the project would have cost more for the taxpayer above and beyond the very significant existing cost and would have increased the length of time it would take to deliver this project, which is already well overdue in terms of the expectation of the Irish people. The third option was to proceed. That is the decision that I took. It was one of the hardest decisions the Government has made in my time in government, certainly the hardest decision I have asked the Government to make. If this was any other project, one might be thinking one could not go any further with it but we could not stop this project because it is so badly needed in terms of the infrastructure for our children.

The overrun is very significant and I am not in any way deviating from that or undermining its significance. This is massive and the Chairman and members of the committee are quite right to highlight it. However, it is not an overrun of €1 billion as I have heard people reference at this committee. That is comparing apples with oranges. It is going back to a time of a different site without planning permission in a different time. It is like someone trying to pretend one was building one's house on a different site ten years ago - I have heard a lot of analogies about houses. That is not what we are doing. The comparison, in terms of the overrun, is of the figure I brought to the Government in 2017 with the figure today and that is an increase of about €450 million. It is a colossal overrun and there is no getting away from that, but it is not €1 billion. The figure is €450 million. The committee has heard in great detail from its witnesses as to how they arrived at that point. It has scrutinised whether the guaranteed maximum price, GMP, process was the right one to use. I do need to point out that this was recommended by our various procurement bodies, by the Government's contracts committee and by all of the expert advice available. The Mazars report also suggests this was the appropriate way to go, while highlighting significant concerns in terms of oversight. I have no doubt but that when the PwC report comes back in March, there will need to be changes and improvements in how this project is managed and overseen. There is no doubt about that. There are powers available to me under the existing legislation that was only passed by the Oireachtas in recent weeks. I will assess all of the options available to me when that report is published and we actually have all of the facts in front of us.

I have heard a couple of other comments made about de-scoping the project. Again, there is very little value in doing that without actually compromising the safety standard. That seems to be the expert view. I have heard lots of different opinions but the committee must remember we have construction inflation. We had a situation in respect of design fees as well, and there is absolutely no doubt but that the Government as a collective is extraordinarily disappointed, frustrated and worried about this issue. We will get to the bottom of it. There are learnings both for this capital project, the largest health capital project in the history of the State, and for every other capital project. I will not be found wanting in making sure the lessons are learned, that the learning is implemented and that changes are made where necessary. I will await the report but I will not entertain any talk of pausing or moving the project. I have been reading articles today about moving it to a greenfield site. This hospital is being built. It is under way. The children of Ireland need it. Yes, it is expensive, perhaps too expensive, but we have now got to get this project done.

**Chairman:** I thank the Minister and call Deputy Donnelly.

**Deputy Stephen S. Donnelly:** I thank the Minister, Mr. Breslin and Ms Duffy for giving of their time.

It is an understatement to say the public, healthcare professionals, patients and patient groups and their families are furious about what they are finding out about the cost overruns on the hospital project. I am being asked three main questions. First, how was it allowed to happen? Second, why apparently is there zero accountability for what has happened? Third, what can be done now that we know what we know? These are the three questions into which I would like to get with the Minister.

On the first question as to how it was allowed to happen, I disagree with the Minister on the figures. This is not about a cost overrun of €450 million. That is just the latest cost overrun. It is a fact that in April 2016 the Taoiseach who was then the Minister for Health stated on the "Six One" news programme that the total cost of the children's hospital, including VAT,

contingencies, inflation and satellites, would be €650 million. Some four weeks later he was Taoiseach. If we go back to the 2016 documents, that is the figure we see. It had crept up from approximately €400 million to approximately €650 million. When it reached €650 million, the then Minister stated that was what the cost would be. Two years later it was €1.7 billion. We can argue about the roundings, but the total increase between 2016 and 2018 was approximately €1 billion and there will be no single extra bed provided. In a normal hospital it costs approximately €1 million to commission a bed. In a normal country, building normally priced hospitals, €1 billion would provide 1,000 hospital beds. We are getting none.

**Chairman:** The Deputy asked three questions. Does he want to proceed to the answers?

**Deputy Stephen S. Donnelly:** No, I am okay. My first question is as follows. When the Minister found out that the cost had escalated to €1.7 billion, why did he not instruct his officials, the board or both to design some of the cost back out, given that it was never intended to spend anything like that amount of money?

**Chairman:** We have decided to give each Deputy and Senator ten minutes in moving back and forth. I ask the Minister to be as concise as possible in his answers.

**Deputy Simon Harris:** I will. It is a small point, but the Taoiseach did not go from being Minister for Health to Taoiseach.

**Deputy Stephen S. Donnelly:** I am sorry; he was Minister for Social Protection.

**Deputy Simon Harris:** The only figure with which comparisons should be made is the one on which the Government signed off when the project had been tendered for. That is the only figure over which I can stand. It is the one the Government of Ireland approved when the matter was brought to the Cabinet by me in April 2017. However, I get the broader point and do not wish to get involved in semantics, but that is the figure with which the cost of the project should be compared. It does not, however, change the Deputy's argument as €450 million is still a very significant overrun. His point about beds is one that frustrates me somewhat when I hear it because it ignores the reality. It is an attempt to suggest there will be no additional benefit to the new hospital, other than perhaps a nice building.

**Deputy Stephen S. Donnelly:** It is not.

**Deputy Simon Harris:** Good. There are sick kids today in Crumlin, Temple Street and Tallaght hospitals whose parents are sleeping on the floor. In the new hospital every child will have a single room which will be *en suite*, which will be great for infection control and in ensuring basic family decency when people have to spend weeks and months in hospital. That is the first point. The second is that whereas we now have 14 theatres, there will be 22 in the new hospital. That represents a very significant increase in theatre capacity to look after sick kids.

**Deputy Stephen S. Donnelly:** The Minister is answering a different question.

**Deputy Simon Harris:** The Deputy made a point about beds.

**Deputy Stephen S. Donnelly:** My point is that whether the figure is €500 million or €1 billion, it is hundreds of millions over what was originally designed for the new children's hospital and that there will be no extra operating theatres and beds. It is not relative to what is happening today but to what we were meant to get for €650 million.

**Deputy Simon Harris:** I do not accept that. We cannot build the hospital without the €1.7

billion to deliver all of the services for kids which they do not currently have. That is the reality. We should not have the parents of sick children watching these proceedings and presuming there will be very little additional benefit in children's health outcomes because that is not the case. It is also important to say-----

**Deputy Stephen S. Donnelly:** To be clear, no one on this committee has suggested that once in the past three weeks.

**Deputy Simon Harris:** I have heard the Deputy talk about the children's hospital purely as though we were counting beds. He should remember that the number of beds was not picked by me or plucked out of the air. The number of beds was designed with paediatricians in respect of what an appropriate level of-----

**Deputy Stephen S. Donnelly:** I apologise for talking over the Minister but I am halfway through my time and he has not yet answered my question. When he found out about the figure of €1.7 billion, why did he not instruct them to reverse out some of those costs?

**Deputy Simon Harris:** I will answer all of those questions and the Secretary General also wishes to comment on that. I will also come back in respect of other points made by the Deputy because I will not just let them sit with regard to the point about beds. In respect of the figure of €1.7 billion and to be very clear regarding the chronology, I have told my officials to share everything and anything with this committee. I have heard Deputy Kelly's point about this. There should be full transparency. I want that to happen. I first became aware that there would be an overrun on 24 August. I did not become aware of the final figure until 9 November - certainly early November. I can check my folder with regard to that. In the intervening period, I had been assured by my officials and indeed asked by my officials to ensure that due diligence be done regarding all of the options - looking at how we could claw back the costs of this project and whether there are better ways of delivering the project. The Mazars report was commissioned. A report came back through the National Paediatric Hospital Development Board that told me what my three options were after all this due diligence was done. When we talk about the National Paediatric Hospital Development Board, we need to remember that we are not talking about random individuals. They are really serious people with expertise in the delivery of major construction projects. A number of reports, many of which have been shared with this committee, were produced on the different options, including scoping. I was and remain satisfied that all of those issues were looked at. Based on the expert advice available to me, I also remain satisfied that we were to try to de-scope the hospital, it could impact on basic standards and safety standard directives.

**Deputy Stephen S. Donnelly:** The Minister said that he looked at the figure of €1.73 billion and concluded that it was not worth trying to reverse out some of those costs. Is this still the Government's position? Is it still proceeding with the figure of €1.73 billion? Is it part of the terms of reference of the PwC report to try to de-escalate the costs that have spiralled?

**Deputy Simon Harris:** The short answer is "Yes". The Government rules nothing out in terms of trying to further reduce the costs of this project. When the Deputy talks about the figure of €1.7 billion, I need to point out it is not all Exchequer funding. I know it is a relatively small point but it is one I need to make. The Government has not signed off on a figure of €1.7 billion of capital costs for the national children's hospital. That is an important point to make. I am satisfied enough that I made a recommendation to the Government that we proceed with this project. I could not think of an alternative recommendation that would be worthy of the children of Ireland so I made the recommendation to proceed with the project. The Govern-



ment considered it as a collective and decided to proceed but it was not delighted when it did so, rather it was really frustrated. The Deputy is right; that is an understatement. Such is the scale that the words “frustrated” and “disappointment” are understatements. We will be led by the PwC report in terms of what further avenues are available. I assure the Deputy that if further avenues are available, we will not be found wanting. I do not want to eat into the Deputy’s time but the Secretary General-----

**Deputy Stephen S. Donnelly:** I would prefer-----

**Chairman:** Two minutes.

**Deputy Stephen S. Donnelly:** I would prefer to keep it with the Minister if that is okay. I want to talk about accountability because what we have heard here over the past few weeks has shocked me and many people. At €1.7 billion, the cost per bed will be more than twice as much as the cost per bed of the most expensive hospitals built anywhere in the world. Regardless of whether we use the Minister’s figure of €450 million or the figure of €1 billion on an overrun, it is a vast amount of money to have overrun by with massive knock-on implications for the healthcare system. Does the Minister accept that this represents a catastrophic failure of financial management?

**Deputy Simon Harris:** In fairness, the Deputy is consistent on this because he has asked every witness this question. I will arrive at my conclusion on that question, come back to this committee and answer the question when I see the PwC report. Why would I commission a report if I predetermined the outcome?

**Deputy Stephen S. Donnelly:** With respect, the Minister has known about this since August. He must have a view.

**Deputy Simon Harris:** That is factually incorrect. I will not stand over factually incorrect information. I have not known about this since August. I have known since August that there was an overrun. I have known since 9 November about the scale of the overrun and apprised the Government of that on 18 December when we made a decision. It is now January. We approved the project just before Christmas and I am awaiting the outcome of the PwC report, which is not a “never ever” report. It will be here in March. It will be published in full and I will come back here and answer the Deputy’s questions relating to that.

The Deputy asked what else we could do to mitigate cost, which is an important point. We have other options available. For example, what is the future of Our Lady’s Hospital, Crumlin, a hospital that under its own rules needs to be used for the future of children’s healthcare? That is an interesting point. Philanthropy is another issue. I have heard the Deputy’s views on it but it is a normal part of the delivery of children’s healthcare throughout the globe. We see a lot of it in the UK so a new foundation has been established. There are other options we are considering with regard to this. The board is very clear from Government-----

**Deputy Stephen S. Donnelly:** The Minister has in the past, in light of healthcare scandals, expressed no confidence in, for example, healthcare professionals. To me and to many people around Ireland it is an absolute scandal what has happened with taxpayers’ money that needs to be deployed for healthcare or for children’s healthcare. Does the Minister at this point have confidence in the development board and has he asked anybody to resign in light of everything that we now know happened?

**Deputy Simon Harris:** People are entitled to due process here. One has confidence in

boards and individuals as they do their job. Should that position change, they will be notified first in that regard. I am awaiting the outcome of the PwC report. Maybe we can be slightly flexible with the time because I do not want to eat up Deputy Donnelly's time. I referenced, under the new Children's Health Act 2018 the passage of which the Deputy would have supported, that I have powers in the future composition of the board and I will consider all of these options. Indeed, I welcome the input of this committee and I would be happy to engage on it when I have the PwC report.

I have not asked anybody to resign because it is appropriate to allow due process. Then I will certainly decide where the accountability must rest. However, there will need to be accountability. Something went majorly wrong here. On that, we are not in disagreement. I merely want to establish all of the facts in line with the Government decision and then decide how best to proceed.

**Deputy Stephen S. Donnelly:** I thank the Minister.

**Deputy Louise O'Reilly:** I welcome the Minister and the officials. With regard to PwC, the company the Minister will use to produce this report, albeit at this late stage, am I correct in saying PwC are also the on-site compliance managers for BAM on this project?

Is the Government represented on the National Paediatric Hospital Development Board? If so, who is its representative? Can the Minister outline for us briefly, maybe rounded up to the nearest ten or 20, if that might suit, the number of meetings or communications that the Minister had with this person or how he or she communicated with the Minister? The Minister will appreciate there is a certain amount of incredulity that the person with whom the buck should stop appears to have been in the dark for a long time about a project that is incurring a significant overrun and did not find out until August that this is happening. At what stage was the Minister kept apprised? Was there constant communication? Was there any at all? We are aware, from the chairman of the board, that he met the Minister but only at social events. There would not have been formal meetings between the Minister and the chairman, but maybe there were between the Minister and whoever was the Government representative.

On page 2 of the document that we were given in advance of this meeting, the bottom table on comparison of total increased costs under 2.1, increase in quantities, includes a figure of €115 million. The Minister might tell us the exact date on which he was notified of this increase. Likewise, under 2.3, omissions in stage 1 design-bill of quantities, there is a figure of €20 million and the Minister might also advise us at what exact stage he knew about that. Those are fairly substantial sums of money. At what stage did the Minister know about those? The Minister might also tell us what, if anything, he might have done to take some action at that stage, or maybe he was just waiting on another report.

The chairman of the board advised us that while there were significant lessons to be learned, he would not change any of the actions he had taken. That drew a fair degree of response from the committee because the actions taken have led us to this situation where there is a significant or catastrophic - whatever term one wants to use - cost overrun. The chairman of the board was at pains to point out that lessons were learned. I am not convinced, but he did say that. Has the Minister learned any lessons from this? He might share with us what those lessons are and what, indeed, could have been done that was not done and what will be done differently.

This is my final question, as I have put all my questions together to give the Minister loads of time to answer. An Taoiseach has said that projects will be delayed, deferred or possibly can-



celled altogether because of this overrun. There are people in Limerick, Donegal, Monaghan and in communities throughout the State waiting for hospital beds. They are waiting for vital local projects to put in the capacity we all agree we need. How will these projects be impacted by the failure to contain the cost of the children's hospital?

**Deputy Simon Harris:** A decision was taken by the Government to have an external review and the PwC report was commissioned by the HSE. I will ask the Secretary General to deal with the Deputy's specific question to which I do not have an answer. The Deputy made a point about not finding out about the cost overrun until this late stage. I must refer her to the Mazars report that points out the two-stage procurement process exposed a cost overrun at an early stage of the project whereby with traditional procurement models we would not have found out until after the actual overrun had occurred. We now know, at a fairly early stage in the project, about a projected overrun, which allows us to focus on what we do collectively to try to rein it in.

The Secretary General will speak to the briefing note that he circulated. The Deputy can correct me if I am wrong but she is asking when I knew about the specific cost

overruns.

**Deputy Louise O'Reilly:** I am using them as an illustrative example.

**Deputy Simon Harris:** Which two?

**Deputy Louise O'Reilly:** I refer to the increase of quantities of €115 million and omissions in the stage I design bill of €20 million, by way of example. It does appear to people that no watch was being kept on the costs. Perhaps there was but we want to know at what stage the Minister was made aware of it. The costs did not just escalate in one single amount. They escalated over a range of amounts. More specifically, there is a Government representative on the board. How often did the Minister meet this person?

**Deputy Simon Harris:** I became aware of the overrun and the components of the overrun in November. The Secretary General has reminded me it was 9 November. With regard to my keeping in touch on the governance structures, the way the governance structure was established means the Secretary General chairs a steering committee and keeps me informed of the various components reporting to him. The Secretary General and I have had many discussions and engagements on the national children's hospital. A total of 12 memos has been brought to the Government on it since 2012, including a number brought by me. This is how I was kept informed of the situation.

With regard to the composition of the board, the future of the board and all such matters, I will consider them when I receive the PWC report and publish it.

The Deputy asked why I did not take some action. I understand the Deputy is asking the questions but people might like to know what action the Deputy would have liked me to take at this stage.

**Deputy Louise O'Reilly:** To engage with the board.

**Deputy Simon Harris:** I engaged with the Secretary General in accordance with the governance structures.

**Deputy Louise O'Reilly:** The Minister asked me a question and my answer is-----

**Deputy Simon Harris:** That is what the Deputy would have done.

**Deputy Louise O'Reilly:** -----perhaps he could have engaged with the board.

**Deputy Simon Harris:** How would the engagement have changed the reality? Expert reports were done and they gave me three options. I outlined them in my informal opening statement. They were to proceed, to pause or to retender. They were the three options that existed. Deputy Donnelly was right to ask whether there are other things we can do to claw back costs. We are very eager to look at this and we will do so. There was no magic option that would deliver the children's hospital with all that was meant to be in it, the various components, the satellite centres and new model of care and not be met with a €1.7 billion bill. That was the conundrum.

**Deputy Louise O'Reilly:** What people are interested in is how it got from the figure at the time the Taoiseach was Minister for Health to the present figure.

**Deputy Simon Harris:** Sure.

**Deputy Louise O'Reilly:** We use the analogy of building a house or getting an extension. The lowest bidder was chosen. It was the lowest bid by €131 million and nobody asked how it could be delivered at that price. We only have to look at the Minister's statement to see the difference between the tender price and what was the guaranteed maximum price, which has turned out to be a slightly movable figure and is not guaranteed. We can see how they were all moving. The questions are very simple. How did that happen? Most of it happened on the Minister's watch. How did we get from €630 million all in, satellite centres, VAT and everything it was supposed to be, to-----

**Deputy Simon Harris:** If we are referring to people's watches, to be clear, the figure I brought to Government was €983 million. If the Deputy is going to talk about what happened during my tenure-----

**Deputy Louise O'Reilly:** The Minister is a member of the Government. The question the Department of Public Expenditure and Reform wants to know-----

**Deputy Simon Harris:** The Deputy is asking-----

**Deputy Louise O'Reilly:** How did it get from that to what we are at?

**Chairman:** Deputy O'Reilly, in the interest of time, can we allow the Minister to answer the questions?

**Deputy Simon Harris:** There was a moment when the Deputy promised I would have loads of time to answer her questions. The figure of €983 million was the figure that I brought to the Government in April 2017. The €1.4 billion was the revised figure of which I apprised the Government on, I think, 18 December when we decided to proceed with Phase B. That is the difference.

**Deputy Louise O'Reilly:** When the Minister brought the figure of just under €1 billion-----

**Deputy Simon Harris:** The €983 million, yes.

**Deputy Louise O'Reilly:** -----did he ask any questions as to how the statement made by the man who was the Taoiseach by that stage and who had been Minister for Health had escalated?

**Deputy Simon Harris:** Yes, and that was all listed in detail at the time in respect of the Government decision. I hate this building a house analogy because it is intentionally oversimplistic. The Deputy has to remember we are not building houses. We are trying to do something unique and extraordinarily complex that we have never done before, that successive Governments have promised and not delivered, and that we are going to deliver. However, if we are to use the building a house analogy, a hell of a lot happened in terms of construction inflation and the type of house we decided to build. There were also decisions in respect of sprinklers and VAT that I know some people wish to trivialise, and there were many different decisions and elements, all of which have been documented and many of which has been shared with this committee. The PwC report is going to find out, warts and all, if there was a better way. It is going to see if everything was done correctly and I am going to act on the findings of that report and will not be found wanting.

The Deputy asked a very important question about impacts on other projects. There are no two ways about it. Capital budgets are finite. If we are spending more on one project, it obviously eats into the available resources for other projects. The Government is aware of that. It was aware of it on 18 December when we decided as a Government that €50 million would have to come this year from my capital budget in the Department of Health and the HSE and €50 million from across the rest of Government. The Minister for Public Expenditure and Reform is to return to Government with his proposal for dividing that. It is a matter for him. We have been clear and the Taoiseach has been very clear on the record of the Dáil that no project will be cancelled. Will some be delayed? Yes, that is likely. What I am doing is working through the priority projects in my Department and prioritising issues like capacity. I will agree with the HSE on a capital plan for 2019 in the coming weeks.

**Deputy Louise O'Reilly:** I asked a very brief question about PwC being the on-site managers for BAM and Mr. Breslin said he would answer it.

**Chairman:** We did agree on strict times. Perhaps Mr. Breslin might come back to that.

**Deputy Louise O'Reilly:** It would take two seconds.

**Chairman:** Deputy Kelly might have it included in his questions. He has ten minutes.

**Deputy Alan Kelly:** I congratulate the Minister and his wife on their fantastic arrival and wish health and happiness to the three of them. The Minister referred to transparency. From a transparency point of view, I have asked a number of parliamentary questions and the Secretary General came back to me today, in fairness. However, I had to go to the Ceann Comhairle and directly to the Minister to get the information, which was pretty basic information. That should not happen. I was looking for dates of board meetings and steering group meetings. That is a pretty basic question to ask. I hope it is not let happen again. I get worried when Departments do not answer specific questions. I ask the officials to take that on board. A number of other questions have gone in from me and I expect them to be answered. Two weeks ago members of the hospital board were here at the committee. They were to come back with answers to a number of questions from several of us. I had a load of them. However, I have not got an iota from them. That is not acceptable two weeks later.

What happened between August and December is bugging me deeply. The Minister's Department was told on 24 August and the Minister was told in a submission on 27 August.

**Deputy Simon Harris:** Correct.

**Deputy Alan Kelly:** I presume the Minister will be able to send that submission on to us.

**Deputy Simon Harris:** Sure.

**Deputy Alan Kelly:** At that stage it was at €983 million, but the Minister knew there was a problem.

**Deputy Simon Harris:** Yes.

**Deputy Alan Kelly:** I will not get into the whole problem because I do not have time. I broke down the figures with the board two weeks ago. There was a figure of €140 million, in addition to the €60 million, and the extra €250 million brought it to €450 million. On 18 September the Minister answered a parliamentary question to the effect that the projected cost was still €983 million, but he knew that it was not €983 million because he had been informed, on either 24 or 27 August, that it would be significantly higher. Why did he not answer the parliamentary question by saying it would be higher than €983 million? At what point after 24 August did he inform the Taoiseach, either formally or informally, that we had a problem?

There is a real issue with the structures which are quite confusing for the public. There is a national board which, according to the delegates, reports to a steering committee which is chaired by Mr. Sullivan and then reports to a board chaired by Mr. Breslin which, in turn, reports to the Minister. In August the Department was informed by the original board of the hospital that there were issues. Did that board not have to report to the steering committee? When was Mr. Sullivan told and when did he tell Mr. Breslin? Did the board bypass Mr. Sullivan and go straight to the Department? When was the acting chief executive of the HSE told about these issues? Why was a meeting held in the HSE in the middle of November? It is clear that at that point it was news to most people at the highest levels of the HSE.

**Chairman:** I would like the Minister to have an opportunity to give his answers within the time allotted.

**Deputy Alan Kelly:** Does the figure of €1.73 billion include the escalation in the cost of maintenance of the building? Has the fact that costs have risen also multiplied maintenance costs? That has to be the case. My questions are very specific and I ask the Minister not to ignore any of them.

**Deputy Simon Harris:** I will ask Mr. Breslin to take some of the questions about timelines as he is better acquainted with them.

On the question of transparency, this should not have happened. I have made it clear to my officials that they should show everything to this and all other committees of the Houses and share everything with them, as appropriate. I am disappointed that the committee has not received the information it sought from members of the development board. I assume that we will undertake to follow up that matter and also presume they are watching these proceedings.

The Deputy has asked me about timelines and what I did after my Department learned on 24 August of the emerging issues. I was informed on 27 August. I take the Deputy's question to be about what I did between that day and 18 November when I went to the Government. On 27 August I was advised that there was still work to be done and that the National Paediatric Development Board had to do work with its legal and design teams as a first step, after which it would be better able to advise the Department on the next steps to be taken. The board sought and subsequently obtained a three-month window within which to conclude its guaranteed

maximum price, GMP, negotiations without incurring additional costs. That is important in the context of the Deputy's following question. There were significant commercial sensitivities involved. As late as its sixth meeting which took place on 19 December, the board was told that there were still challenges related to delays in completing negotiations with the main contractor. One of the issues is protecting and trying to get the best deal for the taxpayer. Therefore, there was significant ongoing engagement and negotiations with the main contractor.

**Deputy Alan Kelly:** That explains the answer to the parliamentary question on 18 September.

**Deputy Simon Harris:** Yes. I am satisfied that the reply on 18 September was an accurate and factual account of the position at the time.

**Deputy Alan Kelly:** It could not have been.

**Deputy Simon Harris:** It was. I am not being argumentative, but the Government had not made a decision to proceed.

**Deputy Alan Kelly:** The Minister knew that the costs were higher.

**Deputy Simon Harris:** I knew that they were likely to increase, but I did not know the figures. I also knew that commercially sensitive negotiations were ongoing. The question which I have read again was quite specific as to whether the project was within profile and other such things. The Government had not made a decision to proceed with phase B of the project and contingency planning was being undertaken by the board in case the Government decided not to proceed.

The first conversation I had with the Taoiseach on the issue was in November. I do not have the specific date, but I will get it for the Deputy.

**Deputy Alan Kelly:** When did the Secretary General inform the Department of the Taoiseach, formally or informally?

**Mr. Jim Breslin:** November.

**Deputy Alan Kelly:** What date?

**Deputy Simon Harris:** We will get back to the Deputy with both dates. There was ongoing engagement between my Department and the Department of Public Expenditure and Reform on what we were going to do and bringing a memo to the Government to advise on the next steps to be taken.

I think I have answered the Deputy's specific questions. The Secretary General might answer the question about the dates, structures and who knew what.

**Mr. Jim Breslin:** I appreciate that the suddenness of the escalation poses a question for the committee about the timing and that this issue is at the heart of things. Everything I say will be verified by the records which will be supplied. In August the HSE and the Department were briefed on the worrying escalation in the guaranteed maximum price, GMP, process which was still ongoing and did not conclude until November. Up until that point, as shown in Table 1, €61 million had been declared as the cost escalation figure.

**Deputy Alan Kelly:** I am aware of that.



**Mr. Jim Breslin:** No other cost escalation figure had been declared. We then heard a very loud warning siren from the development board, which told us that it was seeing work packages coming back from the process, particularly on the mechanical and electrical sides, which were outside what it had expected and planned for. It stated it was facing very serious discussions with all of the contractors and involved in a commercial process and that it was significantly concerned. From that moment on, the Department and the HSE were concerned but not fully apprised of where it was going to end up. We spent all of our efforts in insisting that the development board put every resource into the process, while other things such as external reviews and audits were being undertaken to validate the process.

**Deputy Alan Kelly:** I will remind Mr. Breslin of my three questions. My main question was related to the reporting mechanism, to which there were four layers. The question was who knew what and when and whether somebody had been bypassed. The second question was when was the chief executive of the HSE specifically informed. My third question was related to maintenance costs. The first question is very important. There were four layers - the hospital board, the steering committee, the board over the steering committee and the Minister - on which we need transparency.

**Mr. Jim Breslin:** Let me give it to the Deputy. This is all within the responsibility of the Paediatric Hospital Development Board. The other entities such as the children's hospital were not involved in the commercial negotiations which were being fully handled by the development board. The Department was briefed in November, as set out in section 4 of the review of the escalation in cost. The Deputy will see from the note circulated this morning that the steering group, which is chaired by the HSE, met on 27 August. I came back from leave in the first week of September and was briefed at that stage. We had a board meeting on 19 September, at which we received a verbal update on the GMP process. We were concerned at that stage. When I came back from leave, my first impression was that it was a case of contractors doing what they had gained a reputation for doing, that is, trying to extract significant amounts from a process. That was my first, uninformed, view, but I set about informing myself about the process and went through it in detail with the board. The users stated that they identified issues which had to be fixed. However, that is not the primary explanation. The primary explanation is contained in the figures set out to the committee today and regards the gap between the first preliminary design and the final design and the shift in quantities and omissions which then had to be costed in that process. Those costings were only coming through as the GMP process, which ran to November, was concluded. We were then in a position to make a fully informed recommendation to Government and did so in December.

**Deputy Alan Kelly:** I ask Mr. Breslin to address briefly my points on the knowledge of the chief executive and the maintenance costs.

**Mr. Jim Breslin:** I presume the chief executive was informed by his deputy. He may have been on leave in August but was informed at the end of August or shortly thereafter. The chief executive or director general sits on the board, a meeting of which was convened in September, and he was aware well in advance of that meeting.

**Deputy Alan Kelly:** I ask Mr. Breslin to address the maintenance costs.

**Mr. Jim Breslin:** Once the floor area of a facility is expanded, additional maintenance costs will be incurred. However, the fit-out and energy being put into this project are expected to yield significant operational savings through energy efficiency and good design.

**Deputy Alan Kelly:** Are those costs included?

**Chairman:** I thank Mr. Breslin. We will move to our next contributor. If members are disciplined, they will get back in for a second round.

**Deputy Bernard J. Durkan:** I welcome the Minister and our expert witnesses. When it became known, based on the final analysis rather than the previous sketchy appraisal of what would happen, that there was a significant overrun, was consideration given to deleting any part of the project? What effect would such a deletion have?

**Mr. Jim Breslin:** It is important to reflect on the scale of the challenge we faced. There was an overrun of €450 million on the existing budget of €900 million. To decrease the overall cost from €1.4 billion to the original budgeted figure would require descopeing the project by one third. That was the scale of the challenge we faced. The external expert advice indicated that it would require a redesign of the hospital. A potential extraction of services from the hospital at that scale could have undermined the potential to amalgamate the three hospitals in the process. However, a more modest scaling back of the project would also have involved redesigning the hospital. It is likely that changes to the external fabric of the hospital would be required, which would entail the submission of a new planning application and retendering. It is likely that it would take three years from that point until one could award a contract and recommence construction. In the context of the current inflationary environment, we had 2016 prices locked in. When one factors in 10% inflation in 2017 and 2018 and the inflation over the remaining period, the likelihood is that one would have ended up with an inferior project and hospital at a similar cost to that with which we are presented today. In fact, it is probable that the project would have been deferred for a generation. Scaling back the hospital would have left us in the heart of an inflationary market and would have led to a price similar to or higher than the current figure but for a project that would not deliver what it ought. We would have ended up in a bigger mess. The current situation is a mess and I am very unhappy with it. However, we would not have built the hospital if we had taken the action suggested by the Deputy. The current situation is invidious but we are going to build a hospital that has been required in this country for 30 years.

**Deputy Bernard J. Durkan:** Some people have suggested that the hospital should be built on a different site. Would that make a significant difference and, if so, what would that be?

**Mr. Jim Breslin:** The escalation in cost from €983 million to €1.4 billion relates to the same site. The site is of no significance in terms of the cost escalation.

**Deputy Simon Harris:** There is no evidence to back up the suggestion in the Deputy's question. We must remember the reason the site was chosen, although I do not intend to reopen that debate. This is not about building a house or a block of apartments. We had to build the hospital in the location that would deliver the best medical outcomes. I made the decision based on the clear advice available to me that this was about putting the hospital on the best possible site. Deputy Kelly was a Minister in a previous Government that also considered all of these matters. Co-locating it with an adult acute teaching hospital will provide a level of care and improved health outcomes that would not be possible on other sites. It is still being stated that the hospital should be built on a greenfield site. That ignores the fact that construction is under way and that we are trying to ensure we have a hospital that will improve the outcomes for children. Sick adolescents currently travel from Crumlin hospital to St. James's Hospital to receive cancer care. It would very much miss the point if one did not try to co-locate those services on the St. James's site. Ultimately, the hospitals will be tri-located with a maternity hospital on a state-of-the-art campus that can look after people from birth and right through life.

**Deputy Bernard J. Durkan:** The hospital will have eight new theatres.

**Deputy Simon Harris:** It will have between 14 and 22 theatres.

**Deputy Bernard J. Durkan:** It has been suggested that fewer theatres would suffice. Would such a reduction make a significant contribution in terms of the cost and status of the hospital?

**Mr. Jim Breslin:** There will be a 26% increase in day cases in the hospital. It goes back to the question of whether the hospital should be all about beds or whether it should also have other facilities. The theatre provision will assist in rapidly moving children through the hospital. It is good paediatric practice to avoid keeping a child in overnight unnecessarily. Rather, the child should return home. It is essential to have good ambulatory theatres and outpatient facilities as well as the five MRI machines of which each constituent hospitals has, at most, one. The investment in diagnostics, theatres, ambulatory care and the centres in Blanchardstown and Tallaght hospitals are essential to the model of care we are seeking to provide. Theatres are not an area in which I would consider de-scoping.

**Deputy Bernard J. Durkan:** It is natural for many people to ask for what the 6,000 rooms will be used. I have an idea what is involved but I ask that it be addressed for the record.

**Deputy Simon Harris:** It is important to note that consultants and clinicians will not necessarily have dedicated office space in every scenario. It should probably not be considered hot desking but they will be moving around the hospital. We are not building a hospital with copious amounts of office space and numerous meeting rooms. On the contrary, we are ensuring that our children have modern, fit-for-purpose facilities which they do not have today, as Deputy Durkan is aware. Rather than children spending months in Florence Nightingale-type wards with parents sleeping on the floor, we will have single rooms for infection control, en suites, proper research facilities, a school, proper recreational space for children who may not be able to get outdoors, more theatre space and MRI scanners. A full breakdown of room usage is available and can be made available to the Deputy.

The hospital will revolutionise paediatric healthcare. We would all greatly prefer for the total cost to be €983 million rather than €450 million more than that. However, it will revolutionise children's healthcare. When it opens, we will wonder why we have never before had such a hospital. I am regularly and rightly asked about lengthy children's waiting lists by committee members. The hospital will offer an opportunity to significantly impact on those lists through offering far more theatre space and many more outpatient clinics.

Everyone is talking about the project as though we must wait for the shiny new buildings to open. That misses the point. Children's Health Ireland exists and our three standalone children's hospitals have become one entity. A centralised referral system will be put into operation this year. Previously, a child waiting for an outpatient appointment in Crumlin hospital would have to wait until an appointment became available there. Under the new system, if an earlier appointment is available in Temple Street Hospital, the child will also be offered that appointment. This year, we will begin to see the benefits of the hospitals working together as one entity in terms of more outpatient appointments being offered.

**Deputy Bernard J. Durkan:** There is a question which will be dealt with by the Committee of Public Accounts next year or the year after that. I am at a loss as to what that committee is currently investigating with regard to the children's hospital because it has no remit or function

in regard to policy. Does the Minister regard the proposal as presented as good value for money in terms of a response to the need to provide a comprehensive hospital system for sick children? Does it offer the best value for money? Can we afford to do it or not?

**Deputy Simon Harris:** We cannot afford not to do it. Not building the hospital would be a scar on our legacy as an Oireachtas and a Government. We would yet again neglect kids who went through the last economic boom being promised a hospital that was never built because of the parish-pump politics of trying to fit it into people's constituencies on a site for which we could never get planning permission. We wasted €40 million of taxpayers' money and, more importantly, years of kids' lives by not building the hospital. While it is extremely expensive, and while it is an extremely disappointing, annoying and frustrating situation, we will get the answers and continue to do all we can to rein in costs. We will hold feet to the coals in that regard, but we cannot afford not to build the hospital.

**Deputy Margaret Murphy O'Mahony:** I welcome the Minister, Mr. Breslin and Ms Duffy to the committee and I congratulate the Minister on the birth of his new daughter. He should enjoy her because they grow up fast - believe me.

Every time the Minister and, to a greater degree, the Taoiseach are questioned about the overspend, they start talking about how the children of this country are worth it and how it will be state of the art. They use up much time talking about the obvious, but I have never heard anyone on the committee suggest that the children of this country did not deserve the best. I would like if both of them, but in particular the Taoiseach, did not spend two or three minutes saying how great our children are and how they deserve the best every time they are asked about the overspend.

The Minister said earlier that we are comparing apples and oranges because it is a different time and a different site. If that is the case, why is he so shocked by the overspend, why did he not see it coming and why did he not say it could happen?

**Deputy Simon Harris:** I will not spend two or three minutes saying why we need the hospital, but I will spend ten seconds. If it is so obvious, why have we never done it as a country? Every politician of all parties has talked about it since 1962 but no one has done it. Sometimes the most obvious things need to be said. The other reason I say it, and I presume it is the same reason for the Taoiseach, is that I have heard well-meaning proposals in the House, which we have considered, that if implemented would delay the project.

On the apples and oranges comment, that was referring only to when people talk about the project from the period of 2012. That is talking about a different site, without planning permission or tenders and it ignores what has happened between 2012 and 2019 in the construction environment. It is fair to have a serious conversation about what happened between April 2017, when the Government signed off on this on my recommendation and sanctioned €983 million, and the end of last year, when construction costs had risen to €1.4 billion.

On how we did not become aware earlier, it shows that the governance structure worked because I became aware as soon as all the various structures became aware there was a problem. My Department did not dilly-dally in making me aware at the end of August that an issue was emerging, but it also did what I expect Departments to do, namely, due diligence and ensuring the expert reports were there in order that it could provide me with the best possible advice when I brought it to Government. I do not want the Deputy to think this was an easy decision. It was touch and go because it was such a large sum of money, but the other options did not

bear thinking about it. We could have paused, and God knows where that would have brought us, retendered, which would have ended up costing us more, or variations in scoping, which, as the Secretary General explained well, would have given us an inferior hospital at a further date, possibly for more money. I am committed to building the project, as I know the Deputy is, and I did not see another way of proceeding. That is not to say, now that we know about the cost at this relatively early stage of the gross maximum price process, we should not consider every opportunity to rein back the costs.

**Deputy Margaret Murphy O'Mahony:** Is the Minister satisfied that Sláintecare will not be affected by the overspend? When will it be decided what projects will be delayed as a direct result of the overspend, and who will decide?

**Deputy Simon Harris:** The Deputy is probably thinking about Bantry as well, because we always talk about Bantry.

**Deputy Margaret Murphy O'Mahony:** Yes, I slipped it in.

**Deputy Simon Harris:** I am just trying to help the Deputy, not that she needs it.

There are two sides to Sláintecare. A large part of it will be funded by current expenditure, through measures such as examining the eligibility framework, reducing the drugs payment scheme, prescription charges, general practitioner contracts - matters in which the Chairman is interested - all of which are part of current expenditure and will not be affected by the hospital. A important part of Sláintecare is funded by capital, such as the elective hospitals in Dublin, Cork and Limerick and the bed capacity. I will prioritise the measures that will deliver Sláintecare and increase capacity.

While it is true we need to find the money across the capital budget, we need to look at the context. I am open to correction but I think the State will spend approximately €7 billion on capital projects, while my Department will spend nearly €600 million. My Department has to find €50 million, as do the other Departments. We would rather not have to find it but it must be considered in the context of a massively increased capital budget for both health and the rest of the Government.

**Deputy Margaret Murphy O'Mahony:** In that case, the Bantry plans are okay.

**Deputy Simon Harris:** I was delighted to visit Bantry with the Deputy and the Minister of State, Deputy Jim Daly, and we made a number of announcements that day that are under way.

**Deputy Margaret Murphy O'Mahony:** The Minister will stick to it.

**Deputy Simon Harris:** It is a good hospital and we will stick to it.

**Deputy Margaret Murphy O'Mahony:** Is the Minister satisfied that the review is good value for money at a cost of €450,000? Is he happy to stand over it? I am glad he stated earlier that the findings would be made public because it was reported at the weekend that they would not be. Was it ever the case that the Minister or his Department indicated that the findings would not be made public?

**Deputy Simon Harris:** No, not that I am aware of. The report must be made public and I want to see it.

**Deputy Margaret Murphy O'Mahony:** It is paid for by taxpayers' money.



**Deputy Simon Harris:** Yes. It will inform my decision-making process and I am sure it will inform the work of the committee. We need to show the public why we are making the various decisions we will have to make in the time ahead. It was always my intention to make it public. I will bring it to the Government, publish it, afford people briefings or whatever members of the committee desire, through the Chairman.

On the cost, I admit it seems quite large, although I did not have a role in that regard.

**Deputy Margaret Murphy O'Mahony:** The Minister is in the wrong job.

**Deputy Simon Harris:** The HSE commissioned the report and drew from a procurement framework. It is important that senior people do this body of work. I heard the figure of €450,000 mentioned at the committee but that is at the upper end because I think the range is between €360,000 and €450,000 and is based on a daily rate payable to the company. It is a fixed figure, therefore, decided by a framework contract, as opposed to a sum of money arrived at by me.

**Deputy Margaret Murphy O'Mahony:** Does the Minister expect the findings will not be available until the middle of March?

**Deputy Simon Harris:** Yes, my understanding is that the report is due in March but we will not wait around before bringing it to the Government, publishing it and sending it to the committee swiftly.

**Deputy Margaret Murphy O'Mahony:** The Government is willing to learn lessons from it.

**Deputy Simon Harris:** It is essential that we learn, and the learning will go well beyond this project. I imagine there will be learning across the board for capital projects.

**Deputy Kate O'Connell:** I thank the Minister, Mr. Breslin and Ms Duffy for appearing before the committee. I support the Minister in his assertion of the need for the hospital. Anyone who calls for a halt to the project at this point cannot have been to one of our paediatric hospitals in the past few decades. It is all fine turning up at the accident and emergency department with one's child who has a broken arm, but when going down the corridor to get a cup of tea, one meets children with drip stands undergoing chemotherapy with masks. One is in contact with all sorts of bacteria, there are bits of plaster missing from walls and there is utter neglect of our children. For anybody who thinks that the project should be stopped, I urge him or her to tip out to Crumlin or Temple Street on a Friday or a Saturday. I come to this as someone who very much bought into the whole project, studied it and rejected the notion that it was the wrong site. There are some people today who will still talk about a greenfield site. I bought into the project and the need for parental accommodation, valet parking and the modern facilities a modern hospital needs. That is why I was so disappointed when this all came out. I had been one of those who spoke publicly about the hospital over the years as someone who has had reason to use children's services a great deal, albeit more for clavicles, thank God, than for chemotherapy. That is what is so difficult about this. We sat here in October 2017 and Professor Hardiman presented a model of the hospital. It concerns me today that in that beautiful model we saw with the rooftop garden it appears no one thought about what was under it and the design element until stage A was in the ground. It is almost as if someone was looking at Pinterest for a couple of years and chatting about what sort of hospital he or she might like if he or she ever got the chance to build one. Having someone sit down to make decisions about what the walls would

be made of and how many rooms would be provided appears from the evidence we have been given to be a process that did not start until 2017.

I note some of the comparisons that have been made on bed numbers. I agree completely with the Minister that this is apples and oranges stuff. In comparing this to other hospitals, one is looking at completely different tax regimes and different room sizes. The accusations regarding international comparisons and data which are being thrown around are of absolutely no relevance to the current issue. I was asked the other day why this happened and I replied “Because it can happen”. I said it here last week also. Deputy Kelly spoke earlier about the board structure and the National Paediatric Hospital Development Board appointed by the Minister in 2009. Somehow there was a change in governance structures along the way in May 2017 when the new board and steering group was established. I could understand that happening if the first set of people were looking at Pinterest. I could understand the need to set up a group of people who would actually make decisions and do things. The Minister appointed that board.

**Deputy Simon Harris:** I reappointed it.

**Deputy Kate O’Connell:** Sorry. The Minister reappointed the board and it now holds office. We were told last week that it was a competency-based appointments process. Does the Minister consider that the people appointed to the board on day 1 were competent or, to put a more political slant on it, did they have the requisite skillset to do the job? Does the Minister now think that reappointing them was a mistake and do we need to look at it in the short term?

**Chairman:** Can we put those questions?

**Deputy Kate O’Connell:** No. I am still at five minutes and am grand. I have only asked one question.

**Chairman:** We need to get a reply.

**Deputy Kate O’Connell:** I am sorry but I will leave myself time. I am watching it here.

**Chairman:** We have to give the Minister an opportunity to reply within the Deputy’s time slot.

**Deputy Kate O’Connell:** I get that. The Minister might go ahead.

**Deputy Simon Harris:** I can briefly reply.

**Deputy Kate O’Connell:** Yes, briefly.

**Deputy Simon Harris:** The reason the steering group structure was put in place in 2017 relates to the fact that we have three different elements going on here. We have the integration of three hospitals and the legislation and bringing together involved in that. It is a major body of work to take three voluntary hospitals and put them into one statutory hospital. Many people thought it would never happen but it did. That was a huge body of work which consumed a lot of my time and indeed that of Members of the Oireachtas. The second element involves the operational side, namely the setting up of Children’s Health Ireland to run the children’s health service. The third element was the building project. As such, the idea was to have a steering group to look at those three elements.

On the Deputy’s specific question on the board, I have two answers. She asked whether it was a competency-based board and it is very hard to define it as anything else. When one looks

at members' CVs, qualifications and professional experience, one sees it was not about tapping random people on the street on the shoulder. That is the first point.

**Deputy Kate O'Connell:** I have looked, but-----

**Deputy Simon Harris:** That is the first point. The second point I make is one I made clear in my letters to the members when I reappointed the board in 2017 for continuity as the project was under way. I pointed out that the Oireachtas would shortly pass legislation giving me the power to appoint a different board should I choose to do so. It is a power I have today and it is one on which I will reflect when I get the PwC report.

**Deputy Kate O'Connell:** Was that a little bit of a stick or a nudge to them to get their act together?

**Deputy Simon Harris:** No, it was not. It was a reminder to them that factually the Oireachtas was about to give me a new power to reappoint or appoint a different board. I have that power today thanks to these Houses of the Oireachtas. The people on the board were reappointed for a term running to 2023 but they were reappointed in the knowledge that the new legislation would trump such reappointments. I must now consider those matters when I get the PwC report.

**Deputy Kate O'Connell:** Does the Minister consider that, with the new board and steering group having been appointed in May 2017, the first crowd are defunct or do they still have a role?

**Deputy Simon Harris:** I will ask the Secretary General to give his perspective on that. My perspective is that the structures were put in place for the purpose of co-ordinating those three distinct bodies of work.

**Deputy Kate O'Connell:** Of the €450 million overrun, what percentage relates to fees for professional services as opposed to for goods? I refer to architects' fees, consultants' fees and external advisers' fees. We are comparing €983 million to €1.4 billion. Can I have that figure? I will understand if Mr. Breslin does not have it to hand.

**Mr. Jim Breslin:** The use of the word "board" may be confusing. In retrospect, it may be that we should not have used it. It is very important to understand that the development board, which is the statutory body being asked to design, build, furnish and equip the hospital, has remained in place throughout the process. It is a competency-based board and has expertise within it, including property and construction professionals among its staff. It has appointed a design team which includes some of the largest firms nationally or internationally with the expertise to undertake what is essentially a professional task to develop a design, procure against it and implement it. The important point is that structures above that are not about designing the hospital or procuring it, they are about a number of separate things.

One of those things is the oversight of how the board is delivering on the project against its budget. The second thing, which is just as important, is that on the day the hospital opens, a number of things have to converge. The hospital must have been built and equipped, which is where we are now, but also other important things must happen too. We have created Children's Health Ireland to bring together the three constituent hospitals to ensure services move over to the new hospital in a seamless fashion. The third thing is that we must have an electronic health record and ICT capacity delivered into the hospital. The first matter, which is the building of the hospital, is the job of the development board. The second matter of the moving

over of services is the responsibility of Children's Health Ireland. The third matter, namely the development of an electronic health record, which will be the electronic health record for the rest of the hospital system, is the responsibility of the HSE. An important function and part of the reason those structures were put in place in 2017 is to ensure all of those things happen in the right order and complete according to the right timescale. There is an element of the governance which is about integrating different work streams, only one of which is building the hospital.

The other question the Deputy asked was around the design team. The figures we have supplied to the committee today are, obviously, an estimate and a budget. The estimated proportion of the increase of €450 million that is towards the design team is shown at No. 6 in the table on page 3. Of the total there of €53 million, €28 million involves design team costs.

**Senator Rónán Mullen:** I am very disappointed by the fact that the Secretary General of the Department of Public Expenditure and Reform refused to come before this committee. It is bizarre that the head of a Department overseeing public expenditure does not see it as his role to be accountable in some way for colossal cost overruns on the largest capital project in the health service. I would be grateful to hear the Minister's opinion on whether my disappointment is justified.

**Deputy Simon Harris:** My view is very clear that the Accounting Officer for the project is the Secretary General, Mr. Breslin, who under law is Accounting Officer for the health Vote. That was the point Mr. Robert Watt made to the committee. It is a matter for it to decide how it wants to pursue that matter. I understand Mr. Watt is accountable to committees of the Houses, including the Committee on Budgetary Oversight which I imagine will have questions about budgets. It may be having a meeting shortly to discuss the matter. I know that Mr. Watt also attends meetings of the Committee of Public Accounts. I will not get into a discussion on which Secretary General does what, but I am very clear, from a governance and legal point of view, that the appropriate Secretary General is here.

**Mr. Jim Breslin:** I am very clear that the Minister for Public Expenditure and Reform appointed me as Accounting Officer for the health Vote and I take that responsibility very seriously. I also take the committee very seriously. I am accountable and happy to sit here to be accountable.

**Senator Rónán Mullen:** We are very happy to have Mr. Breslin here, but it is a separate question. Given the projected catastrophic cost overruns, governmental officials should err on the side of helpfulness. If a letter arrives from the committee, it should be taken seriously.

The Minister's essential defence is that we are now so far in it would be unthinkable or unconscionable to go back and have delays in reviewing and re-tendering. Essentially, it is the Macbeth defence:

I am in blood

Stepp'd in so far that, should I wade no more,

Returning were as tedious as go o'er

It may be true. Perhaps others who are more knowledgeable about finances than some of those who have been dealing with this issue might make a helpful assessment, but it is a separate question from whether the initial decision-making on the project is the reason we are

here. Does the Minister deny categorically, as I think I have heard him do, that the relative complexity on the St James's Hospital site is linked with the projected cost overruns? Many will not believe him if he does.

**Deputy Simon Harris:** I do not deny anything, but I do know that €983 million was the projected cost of delivering the hospital project on the St James's Hospital site. We are comparing the projected cost in 2017 of delivering the hospital project on the St. James's Hospital site with the projected cost now. We are not comparing the cost with the cost of delivering the project on any other site. Therefore, I do not believe it is a contributory factor. Not only do I not believe it but the evidence does not believe it because €983 million was the projected cost of delivering the project on the St James's Hospital site, to which the difference of €450 million still relates.

**Senator Rónán Mullen:** Is it not precisely because of the complexity on the St James's Hospital site that people were not able to cost the project properly? Does the Minister deny that that is the case?

**Deputy Simon Harris:** It is not that I deny it; I have yet to see a report or expert opinion that suggests it is the case.

**Senator Rónán Mullen:** I would have thought it was evident to most people. Perhaps that is why the alternative-----

**Deputy Simon Harris:** Where is the evidence? If it is evident, it being a variation of the word "evidence", where is the evidence?

**Senator Rónán Mullen:** Let us put it this way-----

**Deputy Simon Harris:** Where is the report?

**Senator Rónán Mullen:** The Minister seems to be in love with reports-----

**Deputy Simon Harris:** No, I am in love with evidence.

**Senator Rónán Mullen:** -----but from the taxpayer's point of view, something scandalous has gone on. As a member of the Cabinet, the Minister received a detailed dossier from the Connolly for Kids Hospital campaign, as did other members of the Cabinet. He was given detailed submissions on why there were problems with the St. James's Hospital site. The campaign still points out, for example, that there is not co-location with a maternity hospital, that there are parking issues and that it will be impossible to land the largest air-sea rescue helicopter. The Minister has heard, knows of and is familiar with the criticisms made.

**Deputy Simon Harris:** I am.

**Senator Rónán Mullen:** They do not come from politicians who are trying to score points but from medical experts, including one person with experience of building several hospitals, Mr. Sheehan, who cannot be said to have a vested interest in the project. What he and others have said is that this really amounts to an indictment of the political class. We can ask hard questions all we like of hapless officials about how this happened, where the project will go from here and where precisely did it all go wrong, but in reality is it not the case that the political class made the wrong decision and was wedded to the wrong decision right from the start and that this is connected with the projected cost overruns?

**Deputy Simon Harris:** No, it is not. I do not question the bona fides of the people con-



cerned and have no intention of getting into a conversation in which their bona fides would be questioned. Some were of the view that it should be built on the site of Connolly Hospital, while others, including a former Taoiseach, were of the view it should be built on the Mater hospital site. Some were of view that it should be built on a greenfield site, while others were of the view that it should be built on the site of St James's Hospital. Politics is about making decisions and I stand over the decision to build it on the St. James's Hospital site, safe in the knowledge it is supported by the practising paediatricians in many of our children's hospitals. Many doctors support it. As the Senator and I know from many issues, different doctors have different views on matters and different builders have different views on matters. The Government has made a decision. None of the issues as to whether it should have been sited at Connolly hospital or St. James's Hospital relate to the cost overrun. If one looks at the briefing document the Secretary General has provided to the committee, the costs do not relate to costs incurred at the St. James's Hospital site that would not have been incurred at a different site. Truthfully, I do not believe it to be the case. I do not doubt the bona fides of people who would have liked it to be at an alternative site but we have had the debate not only about the Connolly hospital site but, previous to that, about the Mater hospital site, and all that time a hospital was not being built. A development at Connolly hospital will open this summer and will start serving children as part of Children's Health Ireland.

**Senator Rónán Mullen:** I mentioned the political class because I do not think it is fair to blame any one political party for it. We had mismanagement under Fianna Fáil in the past with massive overruns and the evasion of accountability for the same reasons the Minister is giving today. I am thinking of the Dublin Port tunnel and various motorway projects. Will the Minister give an express commitment that once the cause of this has been found, the person or people ultimately responsible will be asked to resign? Does the Minister think the eventual cost will go over €2 billion?

**Deputy Simon Harris:** To answer the first question, I will take the appropriate action on who are the appropriate people to oversee the project when I get the PwC report. I did not come here today to create headlines on how I will react when I get the report. I will get it, read it, publish it and take very swift action on what changes, if any, I believe are needed at that time.

With regard to the complete cost of the project, I will be informed by the PwC report and the various work that is ongoing. The board has received a very clear message from me, delivered on behalf of the Government, that we are well past the outer limits of what the country can manage to spend on the hospital.

**Senator Rónán Mullen:** That does not sound like a guarantee that it will not go over €2 billion.

**Deputy Simon Harris:** In fairness, if we commission external reports to follow the evidence, that is what we will do. We will come back and share all of the information with the committee. In my earlier answers to Deputy Donnelly, I outlined there are opportunities to try to mitigate costs. I have spoken about the existing assets in place, Crumlin hospital being one. I have also spoken about the role of philanthropy and there is nothing Irish-specific in that. Philanthropy in the delivery of children's healthcare is quite the norm in many countries, including in our neighbouring jurisdiction. A foundation has been established. On both sides of the ledger there are issues that need to be bottomed out.

**Senator Marie-Louise O'Donnell:** I thank the Chairman for giving me time. I am not a member of the committee and I bow to the better judgment, knowledge, experience and reading

of my colleagues. I want to make an observation. We all know there is huge anger among the public but from an objective point of view, this anger is also about the fact we have nurses who cannot live our country because they are underpaid so we do not have enough of them; doctors are leaving; we do not have enough radiographers or occupational therapists; we have 162 consultant posts not filled; and we have people acting as consultants who have not done specialist registrar training. We now have an overrun of €1.7 billion on a hospital. The Minister might think the issues are mutually exclusive but they are closely connected. There is something rotten in the State. Something is going radically wrong.

I have a very simple question for Mr. Breslin, the Accounting Officer. Is the design team on a flat fee or a percentage of the cost? Are the mechanical and electrical consultant engineers on a flat fee or a percentage of the cost? The cost of Jones Group, dealing with the mechanical systems, has increased by 65.4% and the cost of the electrical consultants has increased by 60.2%. Are they on a flat fee or a percentage of the cost? The second issue was alluded to by Deputy O'Reilly. Will Mr. Breslin tell me about PwC and its objectivity? Has it been involved in any other aspect of the hospital since the first sod was first turned - before, middle or after? I know it is carrying out the investigation.

**Mr. Jim Breslin:** Mr. Pollock was at the meeting here last week. He is managing-----

**Senator Marie-Louise O'Donnell:** Mr. Breslin will forgive me if I am repeating myself.

**Mr. Jim Breslin:** Mr. Pollock went quite a way through a number of those questions, so I am partly repeating what he said. In respect of the design team, he was able to say that it is not on a percentage of the overall bill cost. It is on an overall fee, but Mr. Pollock flagged at the committee that because the project is going on for a longer time period, the cost of its services will increase.

**Senator Marie-Louise O'Donnell:** I do not understand Mr. Breslin's answer. Is it on a flat fee or a percentage of the cost? In terms of a flat fee, I am not talking about getting a little drumlin halfway down the road. What is it on?

**Mr. Jim Breslin:** It is not on a percentage of the cost.

**Senator Marie-Louise O'Donnell:** What percentage is it on because I get the impression it is on something?

**Mr. Jim Breslin:** It is not on a percentage. With regard to the flat fee question, it has tendered a fee for the job but, contractually, it will have an opportunity to come back in and say that the length of time on the job has significantly extended and that it should be compensated for that. In essence, I am quoting what Mr. Pollock said last week.

**Senator Marie-Louise O'Donnell:** That is possibly the most nebulous thing I have heard for a long time. Is it the same for mechanical, electrical and engineering?

**Mr. Jim Breslin:** No. Again, there was a lot of discussion about this.

**Senator Marie-Louise O'Donnell:** I know that.

**Mr. Jim Breslin:** They are the contractors. There are three contractors on the job - BAM Building Limited, Mercury Engineering Ireland and Jones Engineering Group. Regarding mechanical and electrical, they tendered the rates for the pieces they would supply. The process of finalising the design has now finalised the quantities that will be in the job and, as a result of

that, their overall costs have gone up.

**Senator Marie-Louise O'Donnell:** I bet they have. So I am right that something is very amiss there. I am sure that will be worked out.

**Mr. Jim Breslin:** It is not news to say that something is very amiss in the escalation between the preliminary design and the final design. It is definitely not news. We have tried to set it out in the briefing note that mechanical and electrical works are a very sizeable factor in that.

**Senator Marie-Louise O'Donnell:** What about the objectivity of PwC, which is coming in as the great white hope, and whether it was involved in any aspect of this previously?

**Mr. Jim Breslin:** Deputy O'Reilly asked about PwC playing a role *vis-à-vis* BAM, which is a contractor. Our understanding is that this is not the case but we are establishing that definitively. PwC has not played a role in respect of the development board on this at any stage of the process.

**Senator Marie-Louise O'Donnell:** Ever.

**Mr. Jim Breslin:** Ever.

**Deputy John Brassil:** I congratulate the Minister on his recent good news and wish him every good fortune. I do not want to be repetitive but I ask him to look at the reasoning behind the two-stage process that has been outlined. When we look at what it was supposed to achieve versus how it turned out, we can see that it is contradictory to say the least. Therefore, I would very much question the board's reasoning, particularly when it came to deciding that the best option for phase two was to award it to the phase one contractor. Did anybody flag to the Minister that the €631 million price for phase one of the job was €131 million, or 20%, lower than the next bid? As I pointed out here last Wednesday, to be 20% lower in any construction bid would ring alarm bells at any level, and I find it very difficult to understand why it did not ring alarm bells with the board. Regarding some of the figures that were given, €90 million was given for a nine-month extension of contract, including preliminaries. I ask the Minister to investigate that thoroughly because I cannot see how €90 million can be justified for increased preliminaries for nine months. A figure of €27 million was given for increased spend as a result of fire regulations. As I pointed out last week, €27 million would build a 90,000 sq. ft state-of-the-art office block. That is just to put it into context.

The Minister was made aware in late August that there was a significant increase in costs. On 7 November, the board recommended BAM as the second phase contractor. Was the Minister consulted in respect of the decision to appoint BAM for this part of the work? On 18 December, the Government signed off on it. Why was PwC not brought in in August, when significant increased costs were flagged to review a potential overrun of €400 million that was subsequently approved? What we are doing now is closing the barn door after the horse has bolted. That review should have been carried out prior to the second phase being awarded that landed us in a situation where we are at the point of no return and cannot go back but must go forward. As I pointed out here last week, the nature of the contractor is to get the work and then maximise the money it can get from it. It has happened consistently with public contracts for years. The way this contract was structured allowed for a golden opportunity, which the contractor took.

**Deputy Simon Harris:** I thank Deputy Brassil. here are a couple of questions there. In respect of the GMP, it is important to note this was a strategy going back as far as 2014. The

Government contracts committee for construction also considered it. While there is no doubt that the Mazars report found considerable shortcomings in terms of the lack of early warning and so on, the report still arrived at the conclusion that it was the right procurement model to use for a project of such complexity. I do not have the expertise of Mazars in terms of arriving at that conclusion. The Deputy asked whether I was aware that the main contractor had come in significantly below the previous bid. From recollection, I do not believe so. Once the Government makes the decision to award, I do not interfere in the procurement process or I would be answering much more difficult questions here in that regard.

The question of why PwC was commissioned after the awarding of phase B is a valid one. When we look at the timeline, it is important to note that on 5 September, when the National Paediatric Hospital Development Board was briefed by the design team on overall capital costs, the board then sought and subsequently obtained a three-month window to conclude the GMP negotiations without incurring additional cost. Consequently, it was up against a clock in terms of not incurring additional costs above and beyond the already agreed pricing. In fairness, reviews were carried out. They included the Mazars report and the DSSR report, which was produced by an international consultancy firm that looked at whether there were opportunities to de-scope or de-scale some of the issues.

The Deputy also asked whether I was consulted about the decision to award the contract to BAM. Absolutely - it was a Government decision so I brought that proposal to the Government on 18 December. The instruction regarding the decision to award the contract was only relayed by the appropriate authorities in January after the Government decision was made so, ultimately, it was a Government decision on 18 December to proceed with the awarding of the phase B contract.

**Deputy John Brassil:** I would contend that awarding that contract without having carried out the review was a sizeable error. The threat of further increased costs is significant, given the €400 million overrun. I have just referred to two figures but there are five or six figures of significance, about which I have serious questions as to how they can be justified. That was a serious error on behalf of the Government and it is an issue that is going to continue to rumble on. That is unfortunate because this is a much-needed project and I thoroughly support it. The concentration in respect of the project is now going to be on this particular issue and not on the delivery of the hospital which we need so much.

**Deputy Simon Harris:** I hope the focus is not going to be entirely on the costs, although I understand that is going to be an issue. I hope the clinical benefits, which Deputy Brassil understands more than most and of which he is very supportive, will also be an issue this committee will monitor closely. In closing on that question, I need to say that I do not want the committee to get the impression that the Government arrived at a decision to go ahead, or the Department advised me to ahead, and proceed with phase B in the absence of expert advice. Before proceeding, a significant amount of what I would call due diligence was done between August and 18 September, as well as engagement with the Department of Public Expenditure and Reform. As I outlined earlier, the three options ultimately considered were retendering, pausing, or proceeding. The decision to proceed was the one recommended to me and I accepted that.

**Chairman:** I thank the Minister. Before I go back to the members, I want to ask the Minister a question. The opening statement of the Department of Health last week stated the Government made three decisions on the cost overrun. One was to commission an independent review by PricewaterhouseCoopers, PwC. That is under way. The second was a decision to do a review of the existing oversight arrangements between the Department of Health, the HSE and

the development board. I do not think that has started yet. The third decision was to undertake a scenario analysis to identify the potential costs of any residual risks to the capital project. Does that mean it is anticipated that the cost is going to go above €1.733 billion? Is that being anticipated in that decision?

**Deputy Simon Harris:** The second review is on the governance. In the interests of both time and the taxpayer, I decided to be led by the outcome of the PwC review, which will highlight where the problems were and the shortcomings. I will then decide on the new governance structures as appropriate. That is the sequence in which I have decided to take it. On the expectation of future costs-----

**Mr. Jim Breslin:** The exclusions are on page 1 of the briefing note for today. It identifies where the exclusions outside of the guaranteed maximum price are and they are specifically listed in the contract as not being incorporated in the guaranteed maximum price. They are listed there. I refer to changes in scope if the development board decided to build something differently, excess national construction inflation above 4% from July of this year and changes in legislation. The Government is asking us to perform a sensitivity analysis of what could happen to the overall price if there were movements in any of those exclusions.

**Chairman:** Does that mean the eventual cost is going to exceed €1.733 billion?

**Mr. Jim Breslin:** It depends on legislation, such as if there are new changes in VAT rates etc. The one aspect that is perhaps most difficult to control is construction inflation. It is provided for in the contract that it will be 4% from July. At the moment, construction inflation is significantly in excess of that.

**Chairman:** Those exclusions are on top of the €1.733 billion.

**Mr. Jim Breslin:** I would say €1.4 billion.

**Chairman:** That is fine. Let us say €1.4 billion. I thank Mr. Breslin very much. In the interests of time, we are going to have five minutes for our second round of questions. I call Deputy Donnelly.

**Deputy Stephen S. Donnelly:** I was hoping for something else from the Minister and Mr. Breslin today. We have heard from the board, the Department and the HSE. I have asked all of them whether they believed that what has happened is a catastrophic failure of management. All of them have said “no”. They stated that they would do things exactly the same and that they do not consider the financial side of this project to be a failure. I acknowledge the Minister has referred to being deeply frustrated but I have not heard an admission that this is a gargantuan cock-up of epic proportions with massive negative knock-on effects on the healthcare system. I think the Irish people have been had. I think we have just been mugged to the tune of about €1 billion. The Government’s own documentation states the tender bid accepted was for €637 million. That went up to €890 million, then €983 million and then €1.4 billion. By the way, there is also an additional €300 million on top of that. Mr. Breslin can come back in when I am done. In the commercial world, any project manager who presented that to the ultimate client would be fired on the spot and his or her company dismissed. Nothing of that sort has happened here, however. Not a single sanction of any kind has been taken against anybody. It gets worse though. We have heard today that while it was clearly possible for the project costs to go up by €1 billion, it is impossible to bring those costs down. Mr. Breslin stated it is not really possible to bring the €1.4 billion down because, for example, the external fabric of the



building might have to change, thereby leading to new planning. It is interesting that, when the €1 billion was being added in, the external fabric of the building clearly did not have to change because new planning was not required.

The only real defence I have heard is that the hospital is very important and it is going to be of a very high spec. I agree with both of those things. The most expensive hospital ever built anywhere in the world is the Karolinska University Hospital. It was built in Stockholm which is an incredibly expensive city and it was built to an incredibly high spec. It has oodles of operating theatres, MRI machines, single occupancy rooms and all of those things. It cost €1.6 million per bed-----

**Chairman:** Does the Deputy have a question?

**Deputy Stephen S. Donnelly:** -----and it is super high spec. I understand Chair. At €1.6 million per bed, the national children's hospital, building at the same cost as the most expensive hospital ever built with a super high spec, would be €750 million. The costs can be triangulated in all sorts of ways and we still keep coming back to a figure of about €1 billion.

Turning to my questions, the Department found out about this in August and PwC is not going to report until March. Do the witnesses think a period of seven months from finding out about this to getting the report is reasonable? When was the PwC report commissioned? Was a Mazars report not commissioned previously? How is the PwC report different from that? Can the committee be provided with the Mazars report? When did the Mazars report come to the Department? Is the Department of Health not capable of finding out what went wrong? This committee certainly has some pretty reasonable ideas about what did go wrong. For my final question, I want to go back to the PwC report. I am happy to stand corrected but I believe the Minister stated PwC will be looking at ways to reduce the €1.4 billion. My understanding is that is not in the terms of reference and that PwC is an accountancy firm. The value engineering, redesign and technical appraisals needed to look at reverse engineering out some of those costs require engineers, architects and specialists-----

**Chairman:** I thank Deputy Donnelly.

**Deputy Stephen S. Donnelly:** Will the Minister confirm whether a substantive effort is being made to look at redesigning some of these massive cost overruns out of the hospital so that cost can be deployed in other areas?

**Deputy Simon Harris:** What Deputy Donnelly has not heard from me today, and which he suggests he has heard from others, is that everything should have been done exactly the same as it was. I am not in a position to say that to this committee. I am not saying that to this committee. I am saying that I am going to follow the evidence in respect of what could have been done better. I do not think Deputy Donnelly is suggesting this, but it is not true that nothing happened between August and December, or indeed August and now. A number of reports were done. I believe a number of them have been shared with this committee, but if they have not all been shared, they should all be shared with this committee. I will make sure that happens because those reports do make points that, frankly and respectfully, are different from the points being made by Deputy Donnelly.

I hear regularly the reference the Deputy made to the hospital in Stockholm. We had AECOM undertake an international cost benchmarking study and it arrived at a different viewpoint from Deputy Donnelly. AECOM estimated that the cost of this hospital will come in at about

€6,500 per square metre whereas an equivalent hospital to be built in London, for example, would come in at €9,000 per square metre. The study also stated that the national children's hospital comes within the range for similar projects, albeit at the upper end of that range. I am happy to share all that information. Much expert opinion was sought, before we decided to proceed with the project, to endeavour to debunk some of those concerns people may have.

There is a serious and ongoing effort to make sure that costs can be reined in without impacting on the integrity of the project. I accept that none of us wants to do that. We do not want to end up building a very expensive hospital and taking out some stuff that would have benefited paediatric healthcare. That is the balance we have to get right here. We are obviously contracted at €1.4 billion in terms of our capital construction costs as well. Perhaps Mr. Breslin might like to comment as well.

**Mr. Jim Breslin:** There are so many figures that it can become confusing. We have tried to capture the figures on pages 2 and 3 of the briefing note. It is important to note that the €637 million tender cost in table 3 of the three contractors, namely, BAM, Mercury and Jones, is included in the €983 million that was signed off by Government. It is not that the cost went from €637 million to €983 million. The cost of the three contractors forms the overall figure along with matters such as equipping, VAT and so on. The real shift over the procurement process was from €983 million to €1.4 billion. The point has been made that previous iterations of the project had other costs but that is the real shift in the procurement stage and I have not tried to lessen the importance or gravity of that. I absolutely agree with the Deputy in regard to its seriousness.

As for learning, we absolutely need to do things differently. My understanding is that the witnesses before the committee on the last occasion this was discussed stated they would still use the two-stage approach. Nobody would claim that all of the actions were appropriate or that things could not have been done to try to manage this better. We must determine to the greatest extent possible what went wrong. I have some indications in that regard but I want to see what PwC says. We will fully implement its recommendations.

**Deputy Louise O'Reilly:** I thank Mr. Breslin for his attendance and the opportunity to ask him another round of questions. I asked him a very simple question about the appointment of PwC but he did not have an opportunity to respond. I am not interested in how bedded in or intertwined with the process PwC is. Is it the on-site compliance manager for BAM?

**Mr. Jim Breslin:** I answered the Deputy's question in response to a subsequent question. The information we have is that is not the case but I do not wish to be definitive until I-----

**Deputy Louise O'Reilly:** The Minister and the Secretary General, two very senior people, are before the committee. This is a fundamental issue because a company that may have a vested interest may not be the best choice to carry out the review. However, Mr. Breslin cannot say-----

**Mr. Jim Breslin:** Even accepting that to be the case generally, that is not so in this instance. Those carrying out the review have senior procurement healthcare project management expertise. They are not the people who are-----

**Deputy Louise O'Reilly:** I would hope so, given the fee of nearly €500,000.

**Mr. Jim Breslin:** -----working with BAM. I have no basis for believing that PwC staff are working with BAM but even if there were, the expert team being brought in for the review

involves people from London-----

**Deputy Louise O'Reilly:** I am making the point that this is something about which Mr. Breslin should know. He should be able to say with confidence that either PwC are working with BAM but he has reviewed it and is happy or they are not. However, Mr. Breslin cannot answer that question.

**Mr. Jim Breslin:** I have given the Deputy my current understanding with the proviso that-----

**Deputy Louise O'Reilly:** I appreciate that but I would have hoped for a definitive answer, rather than Mr. Breslin's best understanding or guess because I believe-----

**Mr. Jim Breslin:** I will be held to my answer. It is important that I give the committee my current understanding and state that I will immediately revert to the committee to clarify any issue there might be.

**Deputy Louise O'Reilly:** It would be preferable for Mr. Breslin to be able to answer the question now. An issue such as that is of sufficient importance for him to have checked it prior to his appearance. He did not do so; he will check and revert to the committee. That is fine. However, if I were in his position, I would consider that an important issue on which I would be able to provide a definitive answer. It is a very easy question to anticipate, given that there has been much public commentary on the nearly €500,000 being spent on this report. The Minister referred to public commentary. Mr. Breslin does not have the answer but he will get it and that is fine. We await his answer.

**Mr. Jim Breslin:** Perhaps I can respond. I was not party to the procurement of PwC. A potential conflict of interest would have been checked in the procurement process, but I was not the person doing the procurement.

**Deputy Louise O'Reilly:** I reiterate it would have been preferable for Mr. Breslin to have the answer, but he does not.

I am wary about naming people as it is not always fair to do so. A person on the board is a staff member of the Office of Government Procurement, which is part of the Department of Finance. Was there a meeting between officials from the Department of Health, preferably the Minister, and this person who I would perceive as almost being the Government representative on the board and who certainly is there to oversee procurement, given the office in which he works? How many meetings were there between departmental officials and this individual?

Much has been made of the two-step procurement process. Many people said not to compare this with building a house. I would not build a house using that process and do not think anyone in this room would either. In the case of a more complex project such as the hospital, it is possible that that process would not be selected if the decision were to be retaken. I presume the person to whom I refer was appointed to oversee some of the procurement. It is a competency-based board. The person's curriculum vitae indicates that his competency is in the area of public procurement and that is what he brings to a competency-based board. Did he report back to Mr. Breslin to keep him abreast of developments and to ensure he was well informed? Was that done via meetings or reports? How was the information communicated? We keep coming back to the same issue, namely, that a hands-off approach was adopted and the end result of that was the catastrophic overrun. All sorts of words are being used to describe it but we will use "catastrophic" for the moment.

On the financial statements for 2018, those for 2017 have been sent to the Committee of Public Accounts. Are the statements currently available? If not, when will they be available? I ask that they be circulated to members of this committee.

**Mr. Jim Breslin:** Is the Deputy asking for the statements for 2018?

**Deputy Louise O'Reilly:** I know they do not have to be finalised until later in the year.

**Mr. Jim Breslin:** It is normally the end of March before an audit is finalised.

**Deputy Louise O'Reilly:** That is fine. They will be published at that stage.

**Mr. Jim Breslin:** They are audited by the Comptroller and Auditor General.

**Deputy Louise O'Reilly:** I understand that. I am asking if they are ready.

My last question is one I asked the Minister but to which he did not get a chance to reply. The head of the board was very clear in saying that important lessons had been learned. He was not as effusive on the detail of those lessons. Has the Minister learned lessons from this process and, if so, what are they? How can we be sure this is not going to keep spiralling out of control?

**Deputy Simon Harris:** The individual referenced by the Deputy was on the board in an individual capacity based on his competencies, as was the case for all members. While the Deputy may not have intended to imply otherwise, the person was not representing the Office of Government Procurement or the Department of Finance.

**Deputy Louise O'Reilly:** I might have given that impression but that was not what I intended. However, his competency is in public procurement.

**Deputy Simon Harris:** That is fair to say. However, procurement experts were hired by the board and the Government contracts committee was used. That individual was not the person on the board to make the decision on the procurement processing but, rather, was there in an individual capacity for a competency-based board.

The Deputy returned to talking about building houses. It is fair to state she has decided that the GMP process was the wrong way of doing it. She said she would not do it that way and would not build a complex project or house like that. However, the evidence available so far suggests that it was the appropriate model to use for a complex project. That was the view taken in the Mazars report and by the Government contracts committee and the National Paediatric Hospital Development Board. It remains to be seen what PwC will conclude but there is currently no expert view available to me that it was the wrong approach to take. That is not to say that there have not been significant problems. There is yet to be an expert view that it was the wrong approach but I await the outcome of the PwC report.

On lessons learned, in many ways putting in place competency-based boards and new structures such as this involved learning lessons from the past. However, clearly, things still went wrong. The most obvious lesson we need to learn regards the lack of an adequate early warning system. That is the real frustration for me as a Minister, for the Government and, I am sure, for committee members and taxpayers. It was very quickly disclosed to me by my Department as soon as a problem arose. However, the fact that there were no early warning systems or flags coming up the line through all of the various structures is my current significant concern. We will see what the PwC report says in that regard. I envisage that governance changes will be required and I will act in that regard when I get the PwC report.

**Deputy Alan Kelly:** I refer to the individual who we will not name and who was on the board based on competency in tendering and procurement. The Minister informed the Taoiseach and the Department of Public Expenditure of the overrun in November, whether formally or informally. That individual works in the Department of Finance, and did not go back to that Department or the Department of Public Expenditure and Reform to say that there is a big problem.

**Deputy Simon Harris:** The Deputy will understand that I cannot speak for-----

**Deputy Alan Kelly:** I am merely posing the question. It would seem bizarre. This is a national scandal. It is no reflection on the person, but given the position he or she held and where he or she works, it seems bizarre. I want to get it straight. The Minister found out about this in August, as we have heard. Until November, the Department of the Taoiseach, the Department of Public Expenditure and Reform and the Department of Finance did not know about this. Is that an accurate statement?

**Mr. Jim Breslin:** I cannot speculate on an individual, but I would say that-----

**Deputy Alan Kelly:** There were no communications between the Department of Health at a political or administrative level with anyone in the Department of Public Expenditure and Reform, the Department of the Taoiseach or any other Department until the middle of November.

**Mr. Jim Breslin:** The definitive outcome, and it-----

**Deputy Alan Kelly:** No, I am asking the Secretary General-----

**Mr. Jim Breslin:** It is a commercially sensitive process. I am talking about the roles of different board members and so on.

**Deputy Alan Kelly:** I had not intended asking this question. I ask it purely because of the answer to the last question. It is very clear. The Secretary General should think about the answer. Was there any formal or informal discussion or correspondence, in any way, shape or form, politically or administratively, with the Department of the Taoiseach, the Department of Finance or the Department of Public Expenditure and Reform, or indeed any other Department, by mid-November? I cannot see why another Department would be involved. I know Mr. Breslin cannot account for the person who sat at the committee.

**Mr. Jim Breslin:** My guess is that-----

**Deputy Alan Kelly:** I do not want a guess, I want facts.

**Mr. Jim Breslin:** -----with the Department of Public Expenditure and Reform, we probably said we were under pressure in this area in October. We were not in the situation in which we have ended up, which is-----

**Deputy Alan Kelly:** This is like pulling teeth. Mr. Breslin has just given us more new information.

**Mr. Jim Breslin:** This is not new information.

**Deputy Alan Kelly:** It is. I asked this question earlier and I was told something else.

**Mr. Jim Breslin:** The Deputy asked whether the Taoiseach was involved.



**Deputy Alan Kelly:** Mr. Breslin is now saying that the Department of Public Expenditure and Reform was informed in October.

**Mr. Jim Breslin:** We did not officially inform it. However, the Deputy asked about informal discussions and whether anyone knew. We were concerned, as we were right to be, during October as to where this was going to end up. I would, in the daily interactions between civil servants, expect someone to pass that concern across to the Department of Public Expenditure and Reform.

**Deputy Alan Kelly:** How did the Department of Public Expenditure and Reform respond?

**Mr. Jim Breslin:** We told it that we were finishing the process and that we did not have a definitive position.

**Deputy Alan Kelly:** Was the phrase €200 million mentioned?

**Mr. Jim Breslin:** I said that it was under pressure. I cannot say that we had an explicit outcome at that stage. If the Deputy is asking me whether someone in the Department of Public Expenditure and Reform had sensed that there might be cost pressures within the children's hospital it would not be a shock to me to hear that that was the case. That was the view within the Department.

**Deputy Alan Kelly:** I want to know when they knew, how they knew and the formal process by which they became aware of it. In the documentation we have been provided with October and the Department of Public Expenditure and Reform are not mentioned.

**Mr. Jim Breslin:** We can check the records on that. The Deputy asked if there were any informal discussions, and I am trying to be honest with him about how things happen.

**Deputy Alan Kelly:** I appreciate that. It is just that Mr. Breslin has now provided more information that we did not have before.

I was taken by the reviews that occurred between August and December, and the Secretary General's honesty when he said he would not change certain things but would change certain actions. I am aware, from other committee meetings, that the electrical and mechanical issues here cause the escalation. I asked Mr. Pollock to break down the make up of this figure in August 2018. I was told that it was made up of the €983 million, plus the €200 million, plus the VAT, plus the urgent care centres, plus the issues with two contractors. This brings us to the figure we now have. There are three boards or committees involved. There have to be groups in charge of electrical and mechanical issues and other areas. Those groups work in particular silos and have responsibility for those particular issues. Why did they not flag the problems? Ultimately, if PwC does not get down to what this was, we will have all been taken for fools.

Mr. Breslin flagged the matter of early-warning systems. Something was quite clear to me from evidence given by Mr. Costello and Mr. Pollock. Electrical and mechanical engineering were two huge cost bases which arose, but it was amazing that once the user engagement process between the three hospitals and representatives concluded, it is obvious that the costs went up too. When Mr. Breslin refers to early warning, does that relate to all these aspects, such as user engagement, and electrical and mechanical engineering, or does he refer to other things? I thought Mr. Breslin's statement was very honest.

**Mr. Jim Breslin:** On early warning, I refer to page 2 of the document circulated to mem-

bers. User engagement is €21 million of the pressure. I am not trying to limit the significance of €21 million as a sum of money that could be used for other purposes. However, in the context of the whole shift in cost, it is a modest amount in the explanation. It is not the case that users were getting around and saying they wanted more of things, as it were. It is more likely to be the case that they said that something had been left that was essential.

**Deputy Alan Kelly:** On mechanical and electrical?

**Mr. Jim Breslin:** The mechanical and electrical costs represents a huge part of what PwC must examine. There is the design team membership with expertise in mechanical and electrical engineering, the build board itself and, through that process, there is quantity surveying and trying to find the cost of something which is found to have been omitted or is additional. We were told that the costing of the mechanical and electrical work packages were the last thing to be resolved. That was what led to the very sudden increase towards the end of the process.

**Deputy Alan Kelly:** It was so obvious. Mr. Breslin is dead right. People who had responsibility over those areas will have to be held to account. I asked whether they went to tender and got costing for cabling. They did. There was one problem, however, in that they did not quantify the amount. That is where many of the costs will end up and I predict that this is what PwC will find.

**Mr. Jim Breslin:** The Deputy will see in page 2 of the briefing note that I have tried to break down the figures in a way that people can follow it. For increasing quantities alone, mechanical is €31 million and electrical is €23 million. For omissions, that is things that were needed but were not in the bill of quantities, the figures are €3 million for mechanical and €12 million for electrical. That is a very significant component. Table 2 in the brief shows that the overall increase in the mechanical figure is 65% and in the electrical is 60%.

**Chairman:** Four contributors remain before the Minister leaves, namely, Deputies Durkan, O'Connell, Boyd Barrett and Danny Healy-Rae, who each have five minutes. I call Deputy Durkan.

**Deputy Richard Boyd Barrett:** Before Deputy Durkan starts, I came in earlier and indicated that I had to go over and return, so I do not understand why I was not included in the first round of questions.

**Chairman:** I am giving priority to committee members who sat through the entire meeting.

**Deputy Richard Boyd Barrett:** I understand that. However, that was not the question I asked.

**Deputy Bernard J. Durkan:** I am glad that it was not an Oireachtas committee that carried out the evaluation and the detailed planning of the hospital. It would take considerably longer than it has taken. That is not a reflection on either the Oireachtas committee or the hospital board.

The briefing document which was provided to the committee today is more or less along the lines of what I requested at last week's meeting. I thank the group for that. The increase in costs is fully explained. In outlining the increase in costs, it is stated that in February 2017 there was a final project brief for business costs of €983 million. In November 2018, there was a guaranteed maximum price of €1.433 billion. Can someone tell me from where is the figure of €1.7 billion coming? I think that I know but it would be useful to know this so that we do

not find ourselves in a similar situation a few months down the road.

**Mr. Jim Breslin:** The parts outside this figure are those that are unconnected with the building and equipping of the hospital but that will be required for the facilities and services to be there when the hospital goes live. The parts that lie outside of this include -----

**Deputy Bernard J. Durkan:** Blanchardstown.

**Mr. Jim Breslin:** ----- the transfer of services, that is the upgrading of staff, and the movement across from the existing hospitals. Some costs will attach to that. Costs will also attach to the electronic health record which the build board is not delivering, but which is being delivered by the HSE. There is one more significant cost.

**Ms Fionnuala Duffy:** Another potential cost which is part of the overall investment is the children's research and innovation centre. It is proposed that would be funded by non-Exchequer sources.

**Mr. Jim Breslin:** We will give the committee a breakdown of €1.4 billion to €1.7 billion but they are not capital building costs.

**Deputy Bernard J. Durkan:** I am aware of that. I will not go on as I do not want to delay the meeting but I will say one thing. I have had some experience of similar projects. There is a tendency, particularly when building during inflationary periods, to at least double the cost. That is just a sad reflection. I am sorry that Deputy Donnelly is not here. He referred to the Karolinska Institutet project in Stockholm which went from 14 billion krona to 60 billion krona in two years. Therefore there is a history relating to hospital projects of which we should be aware. Last week, the Deputy referred to the Royal Adelaide which had similar problems. Overruns are endemic in hospital projects and I understand some of the reasons for this. Each item, be it construction, mechanical, electrical and everything else, has an inflationary tendency. I hope that the review which is currently being undertaken will identify any fat that should not be there. However, we should be cautious lest anyone decide that the project be brought to a halt in order to save money. That will not save money. That would involve spending money unwisely and would deprive children in this country of the kind of services required internationally.

If for some reason we did not go ahead with this project, where would we gain access to a similar standard of modern paediatric treatment? Is it Great Ormond Street Hospital, the Memorial Sloan Kettering Cancer Center or what other options are available?

**Deputy Simon Harris:** I am very glad that the Deputy has made this point because some members of the committee, both here and in comments in the media, have suggested as the solution to the problem things that would halt the project. The project is not being halted. We are contractually committed to delivering the project and I am really proud that this hospital will be built. I guarantee that in years to come when children are being treated in this hospital, and in months to come when children are being treated in the Connolly urgent care centre which will open this summer, parents and their children will start to see the benefits of this. That is not trying to take away from the very significant issue with the overrun, and no one is trying to do so, but they cannot constantly conflate the things and try to dismiss all the clinical benefit. If people want to continue to measure the cost of this hospital purely on the basis of beds, it shows a massive ignorance of paediatric healthcare because we try to keep children out of beds. Measurement by square metre is the way to measure this project. Taking the square metre mea-

surement one can see how this project compares favourably with a similar project to be built in London and how the international benchmark shows the benefits of this project. People are thinking up different ways to land headlines around this situation. That is not to take away from the very serious and legitimate questions or matters of transparency and accountability, but nobody in this room will regret the decision to build this project. We would, however, regret pausing a project and delaying it, and depriving another generation of Irish children of world-class paediatric healthcare because, to answer Deputy Durkan's second question, there is no other facility. There are a number of adult hospitals but we do not have a national children's hospital. This is the first time that we will do it. There are serious questions that others need to ask as to why, during the last economic boom, there was a failure to build this hospital and €40 million of taxpayers' money was squandered on a site for which planning permission was never received.

**Deputy Kate O'Connell:** I agree with the Minister on that point. I have heard much commentary on this issue. Only this morning, someone told me how much a five star hotel bedroom cost, but we are not building a hotel. It is a completely different animal.

Let me refer to the cross-government committee, the Government Contracts Committee, that covered the period between 2014 and 2016. The briefing document states the contract was the best type to deliver a project like this. To follow on from Deputy Durkan, the position on price should have been clear at that point. Based on the type of contract involved, the price of €983 million, or the first price of €650 million, or whatever it was, could never have been the final one. It would have been much easier if, from the start, people had been clear on the elasticity in the second phase of the hospital project.

Let me ask a very simple question. Will we be getting something better in 2022 than we believed ten years ago? Essentially, are we to have a better product for our children that will lead to better outcomes than those on the table today, in March 2017 or June 2016? I am aware that outcomes are very hard to quantify, but perhaps Mr. Breslin might be able to answer that question.

**Mr. Jim Breslin:** I believe the answer is "Yes". During the course of the process the project has been refined and clinical input has influenced the building that will be built and the facilities that will be contained in it. That accelerated once the decision to pick the St. James's Hospital site was taken. We have seen a massive coming together across the three hospitals of the clinical community to try to provide for best practice in the hospital. I have no doubt that what is being built is superior to what was contemplated originally.

To answer the first question asked by the Deputy on the two-stage process, I will be frank. When my Department went to the Government in 2017, we were not informed by the development board that there was potential for an escalation in costs of this magnitude. Had we been so informed, we would have advised the Government that the two-stage process could produce a result like this.

**Deputy Alan Kelly:** It is very important.

**Mr. Jim Breslin:** It is a significant deficit in how we have communicated it and how the Government and the wider public have been informed. To be fair to the individuals involved - I believe they have said this to the committee - it is not necessarily a question of the two-stage process. If the design in the first stage had been approximate, or if it had approximated the final design - in other words, if it had been short in some areas and higher in others - we still would have had the hospital at a cost in or around the cost stage 1 produced or the original tender pro-

duced. What has happened is that in some areas, particularly in the mechanical and electrical areas, about which we have talked, there has been significant under-provision against the final design. Therefore, there was almost a systemic problem with the preliminary design in that it tended towards under-design to a significant degree. That has led to a very sharp and sudden cost escalation as the final design is fully costed through the GMP process.

**Deputy Kate O'Connell:** Therefore, the cross-government contracts committee decided on it being the best way to proceed.

**Mr. Jim Breslin:** In fairness, the development board decided and it had to go to the Government Contracts Committee.

**Deputy Kate O'Connell:** I am sorry. It decided and went to the cross-government contracts committee and outlined the best way to proceed. It came to the Department in 2017 and it agreed with it, but at no point did it state processes in other jurisdictions were considered and that sometimes when the full design was not made on day one, the price could escalate to the level quoted by Deputy Durkan. The Department was not informed by the competency-based board of the deficiencies or possible hurdles. How was it supposed to make a decision?

**Mr. Jim Breslin:** I do not believe it believed we would end up here, but the identification of risk and the development of the design and the contingency plan were not sufficiently articulated such that we could have-----

**Deputy Kate O'Connell:** Sufficiently articulated or articulated.

**Mr. Jim Breslin:** Articulated.

**Deputy Kate O'Connell:** At no point did it state this way of doing things could sometimes end up in circumstances like what we are in today.

**Mr. Jim Breslin:** Absolutely. The magnitude is so great that-----

**Deputy Kate O'Connell:** I thank Mr. Breslin.

**Deputy Richard Boyd Barrett:** I want to clarify whether I can have ten minutes because I did come in earlier. I had to leave for questions in the Dáil. I signalled this to the Chairman before I left.

**Chairman:** We are giving non-members five minutes.

**Deputy Richard Boyd Barrett:** Does the Minister understand the rage and fury felt by the public and perhaps nurses when he says he cannot afford to give them a pay increase which they must now go on strike to achieve, while the price paid by the public for the national children's hospital is 250% to 300% higher than the original bid? Does he understand the double standards the public believes are at work? Does he believe somebody should be held accountable?

Does the Minister believe that whoever selected the building contractor in this case has questions to answer about that contractor's record? This is not the first time the building contractor has massively overrun, both in this country and abroad. Is the Department of Health aware of BAM's history? I am not saying anything that is not in the public domain. In Ballyfermot the company built a leisure complex and there was a major dispute with Dublin City Council over a cost overrun of €27 million. To add insult to injury, I believe the tiles of the swimming pool are falling. In the Netherlands BAM built a multistorey car park that collapsed



and then there was a protracted battle with the Dutch authorities. A settlement had to be reached on the cost. There was an arithmetic mistake made by BAM on a job in Ringaskiddy involving the Port of Cork Company which resulted in an additional cost of €12 million. For the Beamish & Crawford brewery in Cork, the price tag was €53 million, but then the company asked for an extra €12 million. In Cambridge BAM issued a cost of £116 million for the guided busway, but the figure came in at €152 million. Does the Minister know how a company with that record and questions to answer could have been selected?

**Chairman:** The Deputy must conclude.

**Deputy Richard Boyd Barrett:** I have not finished. I would like to ask these questions.

**Chairman:** I am putting the Deputy on notice that he has five minutes for both questions and answers.

**Deputy Richard Boyd Barrett:** Does the Minister believe the fact the bid was €120 million lower than the next one should have raised a flag? Was a simple comparison made between the costs included in the bids?

Who selected the board? Did the State look into its members' record in that regard? Mr. Costello who seems to be completely unconcerned and says BAM's tender was professional had to leave Sisk after a mess-up in Poland on road projects, in respect of which there were significant cost overruns that had not been estimated and that nearly led Sisk to going bankrupt.

**Deputy Simon Harris:** Ministers do not award contracts. If they did, the Deputy would be asking-----

**Deputy Richard Boyd Barrett:** The Government selects the people who do.

**Deputy Simon Harris:** We will get to that in a moment. The Deputy would be asking me much more serious questions if we did. European Union procurement law dictates that companies can apply and people cannot be excluded from that procurement process. The Deputy is correct and it is a cause of great concern for us that we see on a number of projects extra claims coming in all the time. It would be the easiest thing in the world for me to say to the Deputy that that is what is behind these issues, but it is not a large part of the problem. Looking at the breakdown of the cost overrun, there are significant other elements at play. It is not as simple as in other projects, perhaps, where we could say there were many additional claims lobbed in. I genuinely believe that.

There is the question of who selected the board. The original national paediatric hospital development board was, to the best of my knowledge, appointed by the Government on the recommendation of my predecessor, former Deputy and current Senator James Reilly, in 2013. It was reappointed by me for continuity in 2018. When I reappointed the board, as I mentioned to colleagues earlier, I pointed out in the appointment letter to each member that we would pass the new law through the Oireachtas, which we did before Christmas. It is the Children's Health Act 2018. It gave me the power to replace the board if I choose to do so, and I will consider my options on the future of the board and the governance of the project when I receive the Price-waterhouseCoopers report.

**Deputy Richard Boyd Barrett:** Is the Minister suggesting the overruns are acceptable?

**Deputy Simon Harris:** No, I am not. I am just saying I cannot buy into the Deputy's nar-

rative of how we arrived there. I have said it would politically be very convenient for me to do this, saying we had a project with a budget but this awful company came in and lobbed extra claims at us. That would wrap it up nicely in a bow.

**Deputy Richard Boyd Barrett:** I am saying the company deliberately tendered under the budget to get the contract but there was not proper scrutiny of the bid.

**Deputy Simon Harris:** I am saying that when we examine the reasons behind the overrun, they are far more complex and numerous than a company putting in additional claims after bidding for a project. Let us see what the PricewaterhouseCoopers report suggests. I genuinely believe that to be the case. I will make decisions on the future governance of the project.

**Chairman:** It is not acceptable for Deputy Boyd Barrett to make charges against somebody-----

**Deputy Richard Boyd Barrett:** I did not make a charge.

**Chairman:** You made a charge relating to Mr. Costello.

**Deputy Richard Boyd Barrett:** I simply stated a fact.

**Chairman:** It is not acceptable to criticise somebody who is not here. I am bringing that point to your attention.

**Deputy Richard Boyd Barrett:** I was not criticising. I was just asking if we looked into his record. It is in the public domain that he was involved with a project in Poland with big overruns. I read that in the newspapers after googling him. It was *The Irish Times*, the paper of record.

**Deputy Danny Healy-Rae:** Like everybody else, I am very concerned about this unmitigated mess, with the cost of the hospital practically doubled. I am worried about a number of aspects. Who decided only five contractors were to be shortlisted? Who decided the procurement ground rules at the start of the tender process? That is an important question. When one contractor was awarded the phase A part of the work, was it the only contractor allowed to tender for the second stage? If that is the story, as I understand it, the contractor would be able to increase costs day after day because it is the only one there. It is not fair to the taxpayer if a contractor is selected for phase A but it is allowed to proceed with phase B for whatever price it comes up with.

Is anybody in the Department of Public Expenditure and Reform really accountable for what is happening here? PricewaterhouseCoopers is to produce an expensive report costing €500,000, and that amount would do much for the provision services in our community hospital in Killarney. I hope it would build two of them. It looks like a contractor, probably BAM, was awarded phase A and nobody else was allowed to compete for phase B. Is that right?

**Mr. Jim Breslin:** I can take a couple of those questions. The first question was why only five parties were allowed to tender. The prequalification stage shortlisted five. People indicated their interest, the calibre of the work and so on and then five were shortlisted for the full tender process. The five best were shortlisted for that.

The Deputy also asked about the stage B process and the contractor selected for stage A. This was played out at the committee in previous hearings and it is important to understand that at the stage A process, all the five tenderers tendered both for the stage A work - the basement

works - and the stage B works. They did that based on a draft design with an estimate bill of quantities. One contractor was then selected for the project. At stage B, the contractor would have already tendered prices for each element of the bill of quantities. The design would be finalised and the bill of quantities would have had to be re-measured. At that stage, if there is an increase in the quantity for any particular item, it must be supplied at the price in the original competitive tender. That price would have been judged to be better than the other four tenderers. At that stage, a guaranteed maximum price is concluded, which is a combination of the original prices in the competitive tender and the final bill of quantities.

**Deputy Danny Healy-Rae:** Was it a mistake to confine the number of contractors to just five being allowed to tender? Five is a very small number and some of these contractors may be found not to be competing but rather working together. One may know the other would not have the capacity to do the job because it is busy elsewhere or other contracts have been secured. Does this compromise whoever is paying for this, which is the taxpayer in this case? Is there a concern in that respect?

**Mr. Jim Breslin:** At the outset of the procurement, much thought was given to how we could engage large-scale construction companies to compete for this. There is a really limited number, not just in Ireland but in Europe, with the capability to deliver a project of this scale. Arguably, getting five into the race was a reflection of the amount of engagement that happened and the design of the procurement process to encourage them to come in. I am not sure I agree with the Deputy on the point. If this was a small project and many builders would be capable of doing it, I might agree, but very few people have the scale to deliver something of this size.

**Deputy Danny Healy-Rae:** I have one other question. Does the witness agree that if the hospital had been built on a greenfield site, there would have been much lower costs in extracting materials from the site and getting materials into the site? Many people, including me, believe that is where the exorbitant cost is. It arises because of the confined space in which the hospital is being built and the difficulty in getting materials in and out of the place.

**Deputy Simon Harris:** As I said to Senator Mullen, the primary reasoning behind the location of the site must be the clinical outcomes for our children. The idea of co-locating a hospital with an acute adult teaching hospital like St. James's Hospital, as well as with a tri-located maternity hospital in due course, was a primary objective. I also do not believe, for the purposes of these conversations about overruns, that it is a relevant point. The cost of the St. James's site was €983 million, and we are still comparing it with the current costs. That is a slightly longwinded way of saying "no, I do not believe that is the case".

**Mr. Jim Breslin:** As a final point, I believe that Mr. Pollock, the project director who appeared before the committee during previous proceedings, said that the stage A works, meaning the groundworks and basement works, have been delivered on budget. One of the issues with moving onto a brownfield site is that those works can run into trouble on ground conditions which can lead to a higher cost than estimated. Based on what Mr. Pollock said, that has not been the reason for the cost escalation.

**Deputy Danny Healy-Rae:** It might have cost a lot less as well.

**Chairman:** On behalf of the committee I thank the Minister for coming in while on paternity leave. I also thank Mr. Breslin and Ms Fionnuala Duffy from the Department of Health.

The joint committee adjourned at 5.10 p.m. until 9 a.m on Wednesday, 30 January 2019.

