

PRESS RELEASE

Department for Regional Development

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WATER CHARGES WILL ALLOW £300 MILLION A YEAR INVESTMENT IN NORTHERN IRELAND'S PUBLIC SERVICES - SMITH

When fully introduced water charges will enable the Government to invest over £300 million more in public services every year, Parliamentary Under Secretary of State Angela Smith MP said today.

And because this will be available to finance borrowing under the Reinvestment and Reform Initiative, it can be used to provide better schools, roads, hospitals as well as a solution to the backlog of investment in water and sewerage services.

The Minister said: **"We need to invest heavily in our water and sewerage services - £3 billion over the next 20 years. Investment is starting now, before water charges are introduced. By 2005-06 the Water Service budget will have risen to £313 million, a 37% increase since 2002-03.**

"We cannot sustain this planned increase in water and sewerage investment over the long term without starving other services. We face a stark choice – without charges the people of Northern Ireland will be condemned to second class public services.

"Charges will also enable us to have an ongoing revenue stream so that water does not have to compete for investment with other public services, which could lead to similar problems again in the future."

Commenting on the view that people in Northern Ireland were already paying for their water through the regional rate, the Minister pointed out that the rate is used to fund all public services and that other funding had to come from general taxation.

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She said: “Whatever the view about the funding of water, people in Northern Ireland pay much less than elsewhere in the UK towards public services. We are not asking people to pay if they cannot afford it - nor are we asking people in Northern Ireland to pay more than those in similar circumstances elsewhere.

“The fact is that households here are only paying around £473 on average each year in regional and district rates compared to Scotland where people pay over £1300 per year in Council Tax and water charges.

“This is an essential part of the normalisation of Northern Ireland’s financial system which has been out of step with the rest of the United Kingdom for some time. We have the highest level of public spending and the lowest level of local revenues. We cannot realistically ask taxpayers elsewhere to pay more until we have addressed this disparity.”

The Minister pointed out that, in order to make water charges affordable in Northern Ireland, efficiencies would have to be made in Water Service. Increased investment in new treatment works and advanced technology will lead to greater efficiency and the need for a smaller workforce.

“We are talking about between 500-600 fewer jobs in the Water Service over the next five to seven years, and we will do all that we can to redeploy staff and avoid compulsory redundancies.

“In fact, although we may lose jobs in the water industry, the increased investment of over £300 million that will then be possible each year in other public services, such as health, education and transportation, will enable us to employ more people and do more in other public services.”

“Now is the time to make your voice heard on how the system should be introduced, how charges should be collected, who should be considered vulnerable and how they can be protected.

“You have until the 20 June to put forward your views to the Water Reform Unit. Please seize this opportunity.”

NOTES TO EDITORS

1. Angela Smith MP launched the consultation paper, “The Reform of Water and Sewerage Services in Northern Ireland” on 11 March 2003. The consultation period ends on 20 June 2003.
2. The paper seeks views on:
 1. The basis on which domestic water and sewerage charges should be set.
 2. Possible business models for a reformed Water Service.
 3. How best to protect the consumer interest.
3. Three possible options are proposed for the basis on which water charges may be determined. These are:
 - A flat charge applied to all households
 - A charge based on property value
 - A combination of a fixed and variable charge
4. If, through the introduction of a separate water charge, the Water Service here becomes fully self financing, that would release over £300 million a year of spending power to be re-allocated to other services such as health and education. However, under the Reinvestment and Reform Initiative (RRI), a **much more substantial benefit** is available which is **unique** to Northern Ireland and a remarkable signal of goodwill from No 10 and the Treasury: in the RRI, Northern Ireland has access to borrowing from Treasury, over and above the amounts otherwise available for spending on public services, if this can be financed by new sources of revenue or charges that reduce the difference between average household payments here and in England. **In theory**, the increased revenues raised by payments from households following the ongoing reform of the rating system and the introduction of water charges would enable Northern Ireland to borrow several £billion.
5. In practice, as some of the need for investment will be secured from other means (conventional public expenditure and PPPs). It is more likely therefore that some of the £300 million spending power released as a result of water charges would be available for ordinary service expenditure. But the option of borrowing shows the power of choice that would be available under the RRI and the reality that the introduction of water charges is part of a unique programme which will mean better public services and higher employment (not least because of the construction programme). Alongside reform – to secure better efficiency and effectiveness - this can and should be a very good deal for NI households.

6. Anyone wishing to obtain a copy of the Water Reform Consultation document, raise queries or put forward their views should contact:

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Further information on Water Reform can be obtained from the Water Reform website: www.waterreformni.gov.uk