



Comhshaol, Pobal agus Rialtas Áitiúil
Environment, Community and Local Government



Oifig an Aire
Office of the Minister

13 January, 2014.

Mr. Thomas O'Neill,
Meetings Administrator,
Corporate Services Department,
South Dublin County Council,
County Hall,
Tallaght,
Dublin 24.



RE: REP4424/PH/13

Dear Mr. O'Neill,

I have been asked by Mr. Phil Hogan, T.D., Minister for the Environment, Community and Local Government to refer again to your recent letter in connection with the privatisation of Irish Water.

Water and wastewater services are expensive and require increased infrastructural investment. The current funding situation, with only 15% of water services costs borne directly by users, is unsustainable. Irish Water will be able to deliver services with greater economies of scale, manage operations with a more national approach, and have access to third party funding.

The following points are worth noting:

- In 2011 (the most recent year for which finalised figures are available), current and capital expenditure on water and wastewater services totalled €1.2 billion: approximately €700 million in current spending and €500 million in capital spending. Only €185 million of this was sourced from non-domestic water charges.
- Despite the immense pressure on the public finances, capital investment on water infrastructure needs to increase. The PwC independent assessment on establishing a public water utility found that the dependence on the Exchequer for capital funding has

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In the past constrained investment in the sector. The report was written on the assumption of annual investment levels of €600 million per annum. The Department of the Environment, Community and Local Government has allocated €326 million for capital investment funding in 2013.

- In the Programme of Assistance agreed between the Government and the EU-ECB-IMF, the Government is required to introduce domestic water charges. In its Programme for Government, the Government promised to introduce a fair funding model to deliver clean and reliable water; establish a new State-owned utility to take responsibility for water infrastructure and implement a metering programme and water charging system based on usage above a free allowance.

From January 2014 Irish Water is established as the national water services authority responsible for providing water and wastewater services to domestic and non-domestic customers. Irish Water will be required to consult with local and regional authorities in relation to the development of its strategic investment plan and its capital investment plans.

Irish Water will also be accountable to the Environmental Protection Agency in relation to the performance of its environmental functions and to the Commission for Energy Regulation in relation to its charging policies and interface with its customers. It is envisaged that, as part of its customer protection role, the CER will establish a dispute resolution service for customers of Irish Water. This approach is in line with the services CER already provide for customers in the energy sector.

Irish Water will not be privatised and water services will remain in public ownership. Internationally, publicly owned utilities are the norm in the water sector. This is in line with the European approach as privatisation is not the norm in Europe and the EU has not passed a liberalisation directive in this area. It is also worth noting that EU law does not in any way mandate privatisation, even where liberalisation of a market is required by law.

Yours sincerely,



**Eddie Kiernan,
Private Secretary**