

Thank you Mr President

As members may recall I advised this honourable court before the recess that I had become very concerned about the way capital expenditure was handled here and that I would be looking into the process further and reporting back with my findings in the autumn.

It's only natural that as a new member I would wish to carry out what due diligence I could in an effort to satisfy myself that in voting on capital expenditure items I was being given the opportunity to use my best judgement.

I quickly arrived at a position where I believed I would find it difficult to vote for a project unless I was satisfied that the process which culminated in us allocating millions of pounds to a particular vote was sufficiently sound - not **just** the raison d'être for the project itself and the top line price but crucially the process used to arrive at the outline costs. At the outset it was simply a routine procedure I felt I needed to carry out in an effort to get up to speed as a new member – it was intended to be nothing more than that.

In pursuance of this I chose the Iris Project because it is obviously an extremely significant capital project with a history - it's ongoing today - and it will stretch out before us into the future in one form or another for some time to come.

I also chose it because on my arrival here it was the subject of a disconcerting number of questions and answers which were flying round this court but which were failing to provide me with any clear insight.

In an effort to better understand the background of the contemporary element of the project – namely the Peel Options - I attended a meeting held between the Water and Sewage Authority and a group of objectors who are against the regional sewage treatment works in Peel as proposed. I explained to the chairman of that meeting that I was in attendance not to express any preference - that I was open minded and that I was there simply to better understand the process used to arrive at the costings provided.

As a result of this meeting my focus on the Peel element of the work increased significantly. In fact it is seared into my memory for two reasons:

The first of these was the extraordinary barriers that up to that point I discovered had been placed in front of the objectors in their efforts to establish details relating to the comparative costs of the two options. Namely Peel Regional or piped back to Meary Veg.

It was only later that I became aware the author of this blatant obfuscation was none other than the honourable member for Castletown when in an answer to a member's question in this honourable court on the 16th March of this year (which concerned the availability of IRIS information in the Tynwald Library) said, and I quote:

*' I do not believe it is unacceptable or inappropriate that anybody who wants to go through reams of technical information should do that **with the officers concerned in the Department who can then answer any questions at that time**'*

The direct consequence of that answer was to create a thoroughly miserable situation where those enquiring after technical data had to sit in a room **under supervision** at Meary Veg

whilst attempting **to manually transcribe enormous amounts of computer generated data onto A4 sheets of paper**. The equivalent of being told you can of course empty the swimming pool if you wish but you can only do it by sucking the water out through a straw. Or the only way you can empty a bath would be a teaspoonful at a time.

Quite ridiculous

The second reason was that during this meeting I was drawn to one side and in a somewhat patronising and solicitous fashion advised that of course **we had to trust our consultants**. This set the alarm bells ringing for me.

This meeting at the Water and Sewage HQ had taken place towards the end of that particular week so I remained troubled over the weekend by what I had heard that day. So much so that I decided to call in on the Capital Projects Office first thing the following Monday morning. I was most courteously received but on explaining my growing concerns I was, extraordinarily, told yet again that **we had to trust our consultants**. I am afraid that floored me completely.

There are three main reasons why we must not blindly trust consultants.

Firstly they get paid more fees the greater the cost of the project. I have not seen the contracts that have been entered into between the Consultants and the relevant authority here but there is a clear indication from what documentation I have seen that this is the case. In other words the more you ask the tax payer to pay out for the work done- the more the consultants earn. Mr President – doesn't that sound a rather odd way of going about ensuring best value if the basis of our approach is that we must trust our consultants? The word naive springs to mind.

Secondly There must be sound checks and balances in the systems to question and re-evaluate what is being proposed by the consultants. Right now there are no such checks and balances

Thirdly, there is clear evidence of an extremely poor quality of cost presentations made to Tynwald twice concerning the costs of the Peel Options.

Mr President - if I could expand on that third point – following the WASA /Objectors meeting referred to previously - the Chief Minister's rather peculiar notion of what constitutes reasonable access to information was thankfully ignored, and, for a while at least, information was much more forthcoming, This information and data was then carefully considered.

It made far from encouraging reading and seriously undermined any remaining vestige of confidence I had in the system. This is why.....

In, I believe, 2007 this honourable court was ask to consider which of the two options for Peel it wished to choose.

Option 5 which provided for a regional sewage works at Peel with a capital cost in the region of £9m or

Option 6 which provided for a pipeline from Peel to allow connection through to Meary Veg at a capital cost in the region of £19m.

A no brainer really for honourable members - with a £10m differential and consultants who were **'trusted'** - it was not a difficult decision.

By 2009, when it came before Tynwald again Option 5, the regional works had jumped from around £9 to £14m whilst the alternative of connecting to Meary Veg was now around £21m

Again a no brainer with a £7 million pound differential.

OK – worrying that the Regional Option had jumped from £9m to £14m but still a decent differential and it still looked to be the right thing to do – not a difficult decision.

Not difficult that is until you start looking at the numbers in just a bit more detail

For example – when you looked at the Regional Option for the first time, when you were told the differential was £10m, the numbers produced were absolutely riddled with errors. Here are just three of them

1. The cost of the Peel Sewage works was shown as around £4.5m but by 2009 this was adjusted to £8m.
2. They completely forgot to price in the cost of the proposed pipe work between the Peel pumping station and the proposed sewage works. Were the good citizens of Peel expected to form a human chain with buckets in order to get it from one to the other? And back because they also forgot the other pipe required to carry the treated sewage back to the Pumping Station. Together the cost of these is in the region of £3m
3. And of course you already know about the famous £4.1m error.

A total of around £10m worth of errors one way or another in consultancy advice that was put forward to support the request that you authorise a £14m project.

I find that breath taking – but still, I keep getting told to trust our consultants.

After the meeting with WASA we made real efforts to make sense of the discrepancies in the more recent 2009 figures submitted to Tynwald which showed a differential of around £7m

Unfortunately this proved difficult because as soon as a particular cost was identified as potentially erroneous and it was brought to WASA attention they adjusted their figures - but hey presto! a new cost would then appeared somewhere else. A bit like trying to get bubbles out of badly hung wallpaper.

The point was reached where trying to fix a credible set of costs became an increasingly elusive endeavour.

Rather than stopping at that point and waiting to bring my concerns back to this court I requested that a meeting be set up, through the good offices of the Minister of Infrastructure,

so that the Chairman and senior officers from the Water and Sewage Authority could meet with me and Mr David Jones in order that we might to try and find a way forward.

The Minister kindly arranged this and it duly took place. Mr President I can advise members that there was a robust exchange of views at this meeting which culminated in what I believed was an understanding of the way forward .

In short I believed that a temporary hold would be put on matters relating to the proposed Peel Regional Sewage Works until a review of the costings had taken place and that Aecom would be asked to carry out a review of its work. It was also agreed that the Water and Sewage Authority should write to Peel Commissioners advising them of these actions. As a matter of courtesy to Aecom I also asked that they should be advised that their reviewed costings might well be subject to a third party review. In other words Aecom were being given an opportunity to provide a trustworthy and accurate set of numbers that could be the basis of a fair comparison of the Peel cost options. There were one or two lesser points made but what I have stated here represents the core of the matter.

Shortly afterwards I followed up the meeting with a note outlining my understanding of the outcome of it and eventually received replies from the Water and Sewage Authority.

The first reply stated that their understanding of the meeting did not accord with mine whilst the second was not a full set of reviewed cost options as requested but rather a general and critical review of what had been submitted to them by us which was the reverse of what had been requested.

In the end this process became slightly ludicrous in that the Quarterbridge pumping station and associated pipeline which started out at £2.9m (when I first looked at it) subsequently climbed to £3.4m and finally went nuclear to a fabulous £6.4m. Then, quite miraculously it almost seemed to disappear altogether. Quite extraordinary. A miracle conversion on the road to Meary Veg.

It was at that stage I decided that I really had no alternative but to bring my concerns back to this honourable court.

I believe that in both submissions made to Tynwald:

the cost of sending the sewage from Peel to Meary Veg by a pipe line has been seriously **over stated**.... and

the costs of providing a regional sewage works in Peel with the sewage sludge transported to Meary Veg by road has been seriously **under stated**.

In fact I believe the former, the pipe line option from Peel to Meary Veg could be shown to be some millions of pounds cheaper than the latter – The Peel Regional Works.

I am only able to say a number of millions of pounds because the information received about the proposed Peel Sewage Treatment Works remains opaque – perhaps this is intentional on some one part - I just don't know- but I will focus on just four of these opaque cost concerns:

My first concern relates to the short sea sewage outfall pipe into Peel Bay –

Here there appear to be two cost options:

The first allows for the continued use of the existing pipe which is around 500 metres long. I understand that this pipe was laid around 1948. That means it is the same age as me. I don't know what state it is in but look at me – my hair is thinning, my waist is thickening and a number of my back teeth have gone to name just a few areas where I am deteriorating. What state then a sewage pipe laid beneath and in the sea some 62 years ago? Which consultant in their right mind would be content to say that this pipe is fit for purpose and will remain good for years to come and that no replacement cost contingency is required?

I don't know how much it would cost to replace but as we have such trust in our consultants lets go back to April 1998 when this honourable court was told that a sea outfall pipe could be estimated at around £4m per kilometre. Allowing for 5% p.a. increase this translates to a present day estimate of around £7m per kilometre. Using this as a basis it would mean a like for like replacement cost of around £3.5m for a new sea outfall pipe at Peel.

The other does indeed provide for a replacement pipe but it is only a 200 metre pipe which is costed at £200k but just think about this for a moment. This does not equate with the consultants previous costings for a sea outfall pipe nor anything like but lets skip past this because this length of pipe means it would discharge pretty much onto the Peel Beech itself!. All that comes into my head here is that famous phrase – **you must be joking!** Trouble is I'm not sure **they** are because they allow it by bringing in the use of UV treatment. This brings me on to my second concern.

Namely UV Treatment at Peel

To effectively treat water with Ultra Violet Light – water born particles should be no bigger than 5 microns. If you are not sure how small that is – if you put a human hair against an item measuring 5 microns the hair would appear like a tree trunk in comparison. What worries me is not the concept of UV treatment – but rather the fairly recent change in the sewage 'discharge to sea licence' in the Isle of Man which permits an increase of sewage solids from 10 milligrams per litre to 60 milligrams per litre – a 600% increase. This permission equates to the discharge of up to 180 kilos of sewage solids onto Peel Beach each day. Expressed as suspended liquid this would be 3.5 tons per day. There is a worrying contradiction here. Dont forget these numbers are for normal conditions – not storm or bad weather discharges where the volume would be worse – much worse.

Also please don't forget what the then Minister of Transport said to this honourable court in October 2006 when referring to the Nov 2005 Report - and I hope I am quoting accurately here –

“The Report identified only two locations on the Island where treated effluent could be discharged to the sea without affecting the shell fisheries – Meary Veg and Jurby”

Next we come to Odour Control

This must be a matter of real concern to the people of Peel yet the price laid before this honourable court does not provide for the placing of the sewage works inside a building. The choice here is simple. Pay a lower price and suffer the odours or pay more and do not. I am

sure no one here wants odours effecting homes or the industrial fish plants anymore than we would wish to see sewage on Peel Beach.

Finally I would ask you to consider an unacceptable accounting anomaly

Within the costings presented to this honourable court there was no provision for the cost of treatment of the sludge at Meary Veg on the basis that the capacity already exists. This is quite unacceptable in accounting terms as in order to deal with this item it will be necessary to as it were borrow that capability from provision made elsewhere. To make matters worse this provision is costed on the alternative option where the sewage is delivered to Meary Veg by pipe. This form of highly biases presentation to this honourable court is simply not acceptable.

If only some of these four concerns were realized this would translate into very significant increases to the regional works proposal in Peel and in so doing make it far more expensive than piping the sewage back to Meary Veg. If all of these concerns were realized it would constitute a scandal – because this house would have been seriously misled.

Before summarising Mr President I just wish to touch on operating costs as opposed to capital costs because my concerns are not limited to the latter only. By way of example let me select just two.

My First example concerns a statement to Tynwald in November 2009 made by the then Minister of Transport when he said and I quote

I can advise that the additional cost associated with pumping sewage from St John's and Peel to Meary Veg for treatment is estimated to be approximately £254,000 per annum.

We did not believe this figure and on challenging it we were eventually provided with revised calculations which reduces the cost to £156,000 per annum. This significantly reduces the operational costs during the lifetime of the plant and therefore the Net Present Values provided to this court. I would add that even this new calculation is considered excessive for reasons which I will not dwell on further here. This is yet another example of this honourable court being led up the garden path by our consultants who I am told I should trust.

The second example is deeply worrying. Why have our trusted consultants not recommended Anaerobic Digesters at Meary Veg. This process separates the methane gas from the sludge and makes the residue into benign fertilizer. In Jersey they use this process very successfully and in so doing collect sufficient methane to fire their Anaerobic Digesters and still have sufficient left over to run an electrical generation plant which provides sufficient power to run their main sewage works at Ballozanne. They then use the fertilizer on their pastures. Whilst they in Jersey create their own heat and power for nothing we intend to carry on spending further long millions on a new sludge dryer and a huge amount of money over its design life. We must be crackers. Jersey is so pleased with their anaerobic Digesters that they intend to invest in the next generation of this type of plant which has a much longer design life.

If we changed direction we could reduce the odours at Meary Veg, save many many millions of pounds on imported energy costs by producing our own, either generate our own electricity to power Meary Veg or sell the gas to the new upcoming gas grid and use the

fertiliser to create farm business growing environmentally friendly energy crops - which in turn would create yet another virtuous environmental cycle.

We are simply crazy not to look at this in depth. We must start thinking for ourselves and we can start by relying less on overpaid consultants and more on the brains we have here on the Island in profusion.

In summary, on a matter of extraordinary importance to the Isle of Man in that the IRIS project could ultimately result in a total capital expenditure at today's costs of well exceeding £200m this honourable court has repeatedly been provided with misleading inaccurate and incomplete information upon which it was asked to make a profoundly significant decision. Then, when a member queries the figures, he is told that we have to trust the consultants but when seeking clarification is led a merry dance.

I am sorry to say that I believe Tynwald is being held in contempt for its failure to get a grip of this project and I believe it must both put this right and establish a more robust way in the future of considering capital projects prior to their commencement – not afterwards when the damage is done or the cost is irrecoverable and all that can be achieved is the apportionment of blame.

I do not hold the consultants or departmental officers or the government specifically or singularly to blame for this failure. Rather I believe that our parliament itself has thus far failed to pursue an adequate scrutiny process sufficient to ensure that when it allows a considerable sum for capital expenditure to go forward – we can all, ministers and back benchers alike, subsequently be satisfied that there is a high probability of enjoying excellent value for the taxpayers funds expended.

In seeking to address this in the way that I have through the motion before you - you may be surprised that I have not simply referred my concerns to a sub committee of the PAC. I have not done this because honourable members will readily appreciate that having raised the matter I feel I have a duty to see it through to a conclusion, with others, should that be your decision. I am not of course in a position to place myself on a PAC subcommittee.

We have arrived at something of a momentary pause in the IRIS project. Now is the time to call it in and satisfy ourselves that:

- we choose the correct option for Peel
- we are paying a fair price
- we are minimising our operational costs
- we are embracing the most efficient use of energy
- we are reducing the impact on the environment
- we are protecting taxpayer funds (and possibly in the future - ratepayers - given the recent amalgamation of the Water and Sewage Authorities into one entity)

and finally

- we are ensuring that the capacity of our parliament to scrutinise capital projects is better respected and better informs the contracting process.

Mr President I beg to move the motion in my name.