

**Submission to Irish Water
Public Consultation on Water Supply Project
(Eastern / Midlands Region)
Project Need Report, Roadmap**

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5th May 2015

Executive Summary

Ireland's ability to remain competitive depends on the essential requirement of a world-class water system. This infrastructure is critical for Ireland's citizens, businesses, visitors and future foreign direct investment. This is Dublin Chamber's vision for water services in Ireland.

One of the most pressing elements in the pursuit of this overall goal is the delivery of a new water supply for the Eastern and Midlands Region. In light of limited resources, a needs assessment on large projects such as this is a prudent and necessary step for Irish Water.

In keeping with the Chamber's support to date for a new water supply for the Mid East, the Chamber fully accepts the finding of the present study that a new water source is needed.

The Mid East is critical for the economic wellbeing of the State. The strategic importance of this Region for the national economy means that an adequate, reliable water supply is crucial for the continued wellbeing of existing, indigenous businesses. A new supply is also a prerequisite for future growth, especially for meeting ambitious targets for tourism and foreign direct investment.

Dublin Chamber recommends the methodology set out in the three reports (Demographics Report, Economist Report and Water Demand Review). Irish Water has ensured that all issues relating to need have been addressed by setting criteria for evaluation including:

- Current and projected population in the Region;
- Economic growth;
- Dublin's competitiveness versus other city-regions;
- Growth in domestic and non-domestic demand;
- Demand from Large Water Users.

Furthermore, this approach indicates that Irish Water is engaged in planning for the long term, something which has been lacking in national water services to date.

Submission layout

In this submission, Dublin Chamber evaluates the findings of the Demographics Report and Economist Report, and concludes with a note of concern regarding the need for the prompt implementation on the proposed Roadmap for delivery of the Project.

The Chamber broadly accepts the findings of the Water Demand Review which projects that the new source will need to abstract 232.3 MI/D at a minimum and 329.5 MI/D at a maximum.

The specific responses to Irish Water's consultation questions are included at the end of this submission.

KEY PRINCIPLES

Dublin Chamber's vision for a world-class water system

Over the course of the establishment of Ireland's new water utility in recent years, and indeed prior to that period, Dublin Chamber has made numerous submissions to Irish Water, the Commission for Energy Regulation, the Department of Environment, and Dublin City Council. In each submission, the essential requirement of a world-class water system for Ireland was emphasised, acknowledging the importance of this infrastructure for Ireland's citizens, businesses, visitors and future foreign direct investment.

This is Dublin Chamber's vision for water services in Ireland, and we welcome renewed efforts in recent years to address the historic underinvestment in this area and bring the infrastructure up to international standards.

One of the most pressing elements in the pursuit of this overall goal is the delivery of an essential new water supply for Dublin and its neighbouring counties.

The need: criteria for evaluation

In light of Irish Water's limited resources, it is essential that all large projects undergo a thorough needs assessment to ensure maximum possible return on investment. In undertaking this assessment for a new water supply for the Eastern and Midlands Region, which includes Dublin, Dublin Chamber has repeatedly said that the criteria for evaluation should include the following:

- Current and projected population in the Region;
- Economic growth;
- Dublin's competitiveness versus other city-regions;
- Growth in domestic and non-domestic demand;
- Demand from Large Water Users.

Therefore, Dublin Chamber is pleased to see that these factors have been used as the primary drivers for evaluating the need for this project, with the present consultation comprising three independent specialist studies: a Demographics Report; an Economist Report; and a Water Demand Review.

Meeting the need: delivering a new water supply for Dublin

Dublin Chamber has supported proposals for a new water source for the Dublin Region since the need was first identified in the Greater Dublin Water Supply Strategic Study, published by the Department of Environment in 1996.

With the transfer of responsibility for water services from the local authorities to Irish Water, proposals for this project have been revised and expanded. For example, the proposed Water Supply Area has now been extended beyond the boundaries of the Greater Dublin Area, with potential benefits for more counties, including Tipperary, Offaly, Laois and Westmeath.

The expansion of the project's scope is a welcome development, as it will facilitate the delivery of infrastructure of a scale that will benefit the Region for generations to come. Dublin Chamber further considers that Irish Water's national remit means that a more comprehensive and strategic approach can be applied to the delivery of this project than may previously have been possible.

DEMOGRAPHIC REPORT

Projecting growth: three scenarios

The inclusion of varying growth scenarios accounting for different possible futures represents best practice in terms of infrastructural planning.¹ Accordingly, the Demographic report puts forward three scenarios for population growth in the Eastern and Midlands Region:

- Planned Growth 'High' - Scenario 1(a)
- Planned Growth 'Low' - Scenario 1(b)
- Most Likely Growth - Scenario 2

While Dublin Chamber is not in a position to test the underlying methodology of the population forecasts for the Eastern and Midlands Region, the global trend towards urbanisation strongly suggests that growth in and around Dublin will be significantly ahead of non-urban areas. Of course, land use planning will determine the specifics of settlement, but the approach of Irish Water in including the whole of the Eastern and Midlands overcomes this issue.

It is also worth noting that in its experience dealing with and evaluating strategic planning projects, the Chamber has encountered a recurring tendency to underestimate growth, especially in the Dublin Region. For example, the Dublin Transport Office found that their predictions for transport needs in 2016 were achieved ten years earlier than expected.

All scenarios point to need

The Chamber is ambitious for the future of Ireland, and confident that strong national growth can be achieved, driven in particular by growth in the Dublin region. However, it is worth noting that all scenarios, even the 'low growth' option, necessitate a new water supply for the region.

Some commentators argue that 'Unaccounted for Water' and high national leakage levels must be addressed before planning any new infrastructure. Current leakage levels in Dublin are the lowest in Ireland, at 33%. While this is still significantly above our competitor cities (such as London, at 25%), it is clear that leakage reduction alone will not be enough to solve headroom issues and address increased demand.

In addition, leakage reduction is a long, inexact and costly process. As outlined in the Needs Report, the savings that can be achieved from conservation, demand management, and leakage reduction programmes are uncertain. Even if Irish Water meets its 'extremely ambitious' target of reducing leakage to 25% by 2021, current sources are not capable of providing enough water to meet the region's needs.

The Water Supply Project must be developed alongside important efforts to reduce leakage rates. The concurrent progression of these two projects will result in a best case outcome of an efficient, resilient water supply for the Eastern and Midlands region.

Consequences of inaction

Given that the studies presented in this consultation all point to the need for a new water supply, Dublin Chamber believes that the consequences of inaction should be clearly outlined. Non-delivery of a new water supply for the Eastern and Midlands

¹ van der Merwe, Louis, 'Scenario-Based Strategy in Practice: A Framework', *Advances in Developing Human Resources Vol. XX*, 2008.

<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.130.2377&rep=rep1&type=pdf>

Region would be a disaster for residents and businesses alike. The impact on Dublin's growth and competitiveness would be significant, and water shortages would damage Ireland's reputation internationally and hamper its ability to attract FDI.

Dublin glimpsed this possible future over the course of water shortages in late 2013 which disrupted homes and businesses throughout the city, and coincided with the popular Web Summit held in the RDS. With no new supply, these shortages will only become more frequent as the Region's population grows.

Furthermore, Dublin is particularly vulnerable to the impact of climate change as it relies heavily on rainfall or surface-based resources for its water supply. A large scale reduction in rainfall could seriously impact that supply, which would see Dublin facing water restriction similar to those imposed each summer in South East of England.

ECONOMIST REPORT

Dublin Chamber welcomes Irish Water's decision to deliver an evidence-based analysis of need for a new water supply for Dublin. This approach is in line with international best practice in infrastructural planning, and will help to convince the public that investment is appropriate and necessary.

Dublin Chamber has long campaigned for recognition that the Mid East is critical for the economic wellbeing of the State. Of the 1.93 million people employed in the State as a whole, 825,000 are employed in Dublin and Mid East regions.² The Region therefore accounts for 43% of people in employment. Conversely, Dublin and the Mid East account for just 36% of all unemployed people.

The strategic importance of this Region for the national economy means that an adequate, reliable water supply is crucial for the continued wellbeing of existing, indigenous businesses. This supply is also a prerequisite for future growth.

Existing business

Indecon's research suggests that the daily cost of water shortages is likely to be upwards of €78 million. As previously discussed, the economic and reputational damage caused by such shortages cannot be underestimated.

Certainty and resilience of supply is essential for existing businesses to plan their future. Companies that are considering development or expansion depend on the knowledge that their water supply is assured for the years to come. This is particularly true for companies whose business activity implies high levels of water use, such as those in the pharmaceutical and ICT sectors.

In this way, a reliable water supply directly sustains jobs and investment. Although the proposed Water Supply Project is not expected to deliver new water before 2022, the demonstration that Irish Water is preparing to secure future supply in the Region is essential for businesses their planning.

Future business and growth

Dublin Chamber along with other stakeholders is ambitious for the future of the East and Midlands, and supports sustainable and well-planned growth in the Region. In addition to the population growth forecasted by the CSO and supported by numerous

² CSO QNHS Q4 2014 -

<http://www.cso.ie/en/releasesandpublications/er/gnhs/quarterlynationalhouseholdsurveyquarter42014/#.VQbuv46sUiY>

other studies, the Region must plan for other arrivals to the Region, namely tourists and FDI.

- **Tourism**

The total national revenue generated from tourism in 2014 was €6.45 billion, accounting for 4% GNP and an increase of 9% on the previous year.³ The growth in tourism seen in recent years is having a hugely positive effect on employment, with Fáilte Ireland figures indicating that 5,000 tourism jobs were created in 2014 and 8,000 more anticipated in 2015. To build on this success, Fáilte Ireland is targeting ambitious growth in visitor numbers. For example, the Grow Dublin Alliance strategy aims to increase the number of tourists visiting Dublin by 60% by 2020, almost doubling tourism revenue to €2.5 billion.

However, the Region must ensure that it is equipped to deal with visitor numbers of this order. Hotel occupancy rates offer a valuable insight into the issue facing the Region. At present, occupancy in Dublin is at over 70%, with city centre hotels at around 90%.⁴ New hotel developments are therefore needed if Dublin is to accommodate more visitors. All new developments will naturally require a safe and secure water supply, bearing in mind that the hospitality sector uses large volumes of water.

A new water supply is needed to achieve the targets set out by Fáilte Ireland and ensure that all visitors can have a positive experience in the Region.

- **Foreign Direct Investment**

In February this year, the IDA unveiled ambitious targets to grow FDI in Ireland by over 40%, creating 80,000 new jobs in the economy over the next five years. Growth is targeted for the regions, while in Dublin the aim is to maintain the high level of investment seen to date. A large infrastructural development such as the Water Supply Project will bring economic benefits to counties all along the project corridor and facilitate the IDA in their target of winning FDI projects for the regions.

International evidence points to intensifying competition for FDI and the increasing importance of city regions in this competition. City regions battle global competitors in winning FDI, for example, the Dublin region is more likely to be competing with London and Singapore than with Cork or Galway.

To sustain the IDA's success and meet its future targets, the Dublin region must show that it has a long term strategy for dealing with growth, particularly in the area of infrastructure. Such forward planning offers piece of mind to companies considering investing in Ireland. One of the strategic issues that any potential FDI client can easily identify is the security and resilience of Dublin's water supply. At present, some 85% of Dublin's water comes from a single river – the Liffey. Not only is more water needed to meet demand, the supplying sources must be diversified so that the region is equipped to deal with external shocks.

Another major concern for FDI in the Dublin area is the availability of office space. Last year the take up of commercial space across Dublin was 2.5 million sq ft, up from 2 million sq ft in 2013. There will be no new office space delivered in 2015 and as supply continues to dry up, Dublin's ever expanding requirements will not be met. It is

³ 'Hotels Sector Report Shows Significant Growth in Tourism' <http://www.ihf.ie/content/ihf-conference-2015-hotels-sector-report-shows-significant-growth-tourism>

⁴ The East and Midlands have on average 54% occupancy, with Shannon at 59%. All these figures represent an increase in occupancy from 2013 to 2014. <http://www.ihf.ie/content/ihf-conference-2015-hotels-sector-report-shows-significant-growth-tourism>

hoped that in the coming years this deficit will be addressed by new developments. As with the aforementioned need for new hotel developments, all new offices will require a reliable water supply.

ROADMAP

Plans to date and project need

As previously outlined, Dublin Chamber welcomes the Needs Report and considers this to be best practice in terms of conducting due diligence on new infrastructural projects. However, Dublin Chamber proposes that the need for this project is already broadly accepted among key stakeholders. The need for a new water supply for the Dublin Region was first identified in 1996 and numerous draft proposals since then have confirmed this finding. However, it has taken almost twenty years to develop these plans into a tangible roadmap for planning and delivery of the project.

Unless, in the current consultation, Irish Water receives a large number of responses which argue that the Water Supply Project is unnecessary, Irish Water should consider the project need well established and move quickly to the next phases of delivery.

Timelines

Action is required sooner rather than later. Dublin Chamber is concerned that this report (and with it, the project as a whole) could lay unfulfilled yet again, especially given potential political uncertainties in the coming years.

Irish Water's proposed timeline for choosing a new water source is outlined below:

- Project options published for consultation in May 2015;
- Emerging preferred option by end of 2015;
- Confirmed preferred option by May 2016;
- Water available from the new source from 2022 onwards.

Meanwhile, the Dublin Region Water Supply Area and the Benefitting Corridor will reach its maximum deployable supply of 623 Ml/d by 2026. Moreover, this maximum deployable supply assumes that all infrastructure is fully operational and working to maximum capacity, a highly unlikely scenario for any water supply area, in Ireland or internationally. A new water source is needed well before 2026 to avoid disaster.

In previous submissions to Irish Water, Dublin Chamber raised concerns about the feasibility of certain proposed timelines for 2014 and 2015. Over the past year, these concerns were largely justified, as various projects suffered delays due to unforeseen circumstances, the complexities of establishing a new national water utility, and the significant challenges facing this utility.⁵

The Chamber is concerned that the essential Water Supply Project could encounter similar delays. The need for the project is evident and its delivery is urgent. Irish Water must commit to the Project in the strongest terms, and ensure it is protected against political and planning uncertainties that may arise in the coming years, including the possibility that Irish Water does not pass the Eurostat market test.

Dublin Chamber urges Irish Water to prioritise this project and consider all ways in which the timeline for its delivery can be accelerated.

⁵ For example, in the Chamber's submission to the Commission for Energy Regulation Water Charges Plan Consultation (Ref: CER14/366, July 2014), it was proposed that the migration of data from local authorities to Irish Water would not be completed by the proposed deadline of January 2015, given the complexity of the former billing arrangements and variance between data collection systems. This concern was justified.

DIRECT RESPONSES TO CONSULTATION QUESTIONS

1. Has the Project Team considered all issues related to need? Have all factors been considered?

Dublin Chamber considers that in adopting a methodology which accounts for economic need, demographic need and water demand, Irish Water has ensured that all issues relating to need have been addressed.

In keeping with the Chamber's support to date for a new water supply for the Eastern and Midlands Region, the Chamber fully accepts the finding of the present study that a new water source is needed.

2. Would you like to be kept informed of project updates and if so would you be happy to be added to our database and to receive regular project updates?

Yes.

3. Roadmap

Given that the need for this project has already been broadly accepted among key stakeholders, Dublin Chamber considers that action is required sooner rather than later.

Irish Water should consider all ways in which the Roadmap for delivery can be accelerated, in recognition of:

- the urgent need for a new water source;
- the non-delivery of this source to date, despite multiple studies;
- the potential political and planning uncertainties in the coming years.