

# Chapter 11

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## Department of Transport

## 11.1 Integrated Ticketing System

### Background

The Transport (Railway Infrastructure) Act, 2001 provided for the establishment of the Railway Procurement Agency (RPA). This agency's original remit was to secure the provision of, or to provide, such light railway and metro infrastructure as might be determined from time to time by the Minister for Transport. In March 2002 its remit was extended, by Statutory Instrument 84/2002, to give it a mandate for the delivery of a multi-operator system of integrated public transport ticketing using smart card technology, with initial deployment in the Dublin area. Pending the establishment of a transport regulatory body, the RPA was given responsibility for procuring the integrated ticketing system as, in the view of the Department of Transport (the Department), it had no direct responsibility for providing transport services and, thus, any concerns about the project being captured by an existing operator and causing difficulties as regards competition issues would be avoided.

### Project Outline and Budget

In 2002, the RPA prepared a budget and a four year plan – 2002 to 2005 – with 4 distinct phases for delivery of the project. The original budget was set at €29.6m. In late 2004, the RPA indicated that the delivery date had been revised to 2006 and that costs could still be met from the agreed budget of €29.6m. In January 2006, the RPA submitted proposals for a revised budget with an upper limit of €42.7m, the final amount to be determined on the basis of the amount of Exchequer contributions to be made towards operators' capital costs. The key reasons given for the increase in the budget were the longer implementation period, the consequential need for retention of the project team and management for an additional two years, along with the proposals in relation to the amount of the capital contributions to be paid to operators. A revised budget has yet to be agreed and in this regard the Minister awaits the forthcoming report of the integrated ticketing project board on the agreed scope, timelines and budget for the phased completion of the integrated ticketing project.

The 4 phases of the plan were

- Establishment including appraisal
- Design/specification including public consultation
- Procurement
- Implementation augmented at strategic intervals by a number of important processes - public awareness campaign and proof of concept.

The RPA put together a dedicated expert in-house team for the delivery of the project.

### Overseeing the Project

Two committees were established to oversee its implementation. A monitoring committee, led by the Department, consisted of Department and RPA officials and a steering committee, led by the RPA and including representatives of transport organisations, the Department and other interested State agencies.

### Implementing the Project

Phases 1 and 2 were completed broadly in line with the original timeframe and budget. The proof of concept was also undertaken. However, there were problems with phase 3 – procurement - which commenced in April 2004 but was subsequently terminated in May 2005. The procurement process itself

was carried out in line with national and EU rules but no tenderer ultimately met the selection criteria. The complexity of the project, together with another State transport agency also seeking a similar system in the marketplace at that particular time, appears to have undermined the procurement process. The RPA subsequently informed the Department that the net additional cost of this unsuccessful procurement was €860,000 and had the effect of delaying the project by approximately a year.

## Suspension of Project

In light of the difficulties experienced with the project, the Department commissioned a consultancy report

- to review the approach to procurement
- to benchmark the costs of the system against other major smart card integrated ticketing systems
- to consider the deliverability of the benefits

prior to committing any further expenditure which, at 31 December 2005, had amounted to approximately €9.5m. This report was presented to the Department in April 2006.

The conclusions reached were that there was general agreement among the stakeholders that integrated ticketing was required in Dublin and that the procurement process should be continued. The report, however, stated that there was a general feeling of uncertainty over the future regulatory and institutional structure for transport in Dublin and this had had two significant impacts. Operators were unsure of the size and/or nature of their role in the public transport network of the future and were, therefore, unwilling to commit to a particular ticketing direction and the institutions to progress integrated ticketing were lacking. It stated that these uncertainties had led to two fundamental problems – private operators had largely withdrawn from the process and Dublin Bus and, to a lesser extent, Iarnrod Eireann were continuing to develop their own ticketing systems in parallel to maintain flexibility in the event of regulatory review requiring them to stand alone.

The report considered a number of options but firmly recommended proceeding with the project and stated that, with firmer governance, the project could be kept on time and budget.

The Department also commissioned a peer review of the project in line with the Government decision on the management of major ICT projects. This report noted a lack of unity of vision and purpose among the participating parties. It stated that discontinuing the project would incur further costs bringing total expenditure to approximately €13.5m. It also recommended that the project, as currently envisaged, should proceed and stressed that successful completion would depend on

- full agreement by all parties to the concept of integrated ticketing
- unity of vision and purpose in achieving this
- a willingness to forgo partisanship in favour of the project
- more effective project governance and management.

Both reviews looked at the options of abandoning the project, mothballing it, or continuing with it and both the resultant reports strongly recommended the continuance of the project, subject to new and enhanced governance arrangements being put in place. The Department considered these reports, in addition to taking account of its own analysis, and recommended to the Minister that the broad thrust of the recommendations be accepted.

## Department of Transport

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In July 2006, the Minister formally advised the Government of his intention to proceed with the integrated ticketing project on the basis of the establishment of enhanced governance arrangements for the completion of the project. The Minister's intentions were noted by Government..

Details of the expenditure of €9.5m to the end of December 2005 are set out in Table 36.

**Table 36**

	<b>€ m</b>
RPA	4.7
Systems design and development	3.0
Operator equipment contribution	0.9
Third party professional Fees	0.7
Marketing and branding	0.1
Market Research	0.1
<b>Total</b>	<b>9.5</b>

Expenditure in the four years 2002 to 2005 was €0.3m, €1.9m, €4.9m and €2.4m respectively.

## Audit Concerns

As I was concerned that the way in which the project had been managed had led to the lack of progress and the incurring of substantial nugatory expenditure, I put a series of questions to the Accounting Officer.

## Governance

### **To what extent was the unsatisfactory rate of progress attributable to the governance system employed?**

The Accounting Officer informed me that, until the initial public procurement process failed in May 2005, the project was reported by the RPA as within budget and it was not evident up to that point that the existing governance structure was incapable of delivering the project. There were a number of factors which contributed to the inconclusive procurement process. These included the relatively small scale of the system being procured by international standards, confusion over the role of the RPA and the other agencies within the system and the specialised nature of the services being sought. A further contributory factor appeared to be underlying tensions between RPA and the CIE companies, particularly Dublin Bus, which were becoming increasingly evident at that time. Department records showed that the process of seeking agreement with, and involving stakeholders in, the decision making process had become protracted. However, delivery of such a project in a multi-operator and multi-agency environment would always depend to a material extent on the co-operation of these agencies no matter what the governance arrangements or the available statutory powers.

She stated that the conclusion that enhanced governance structures were required arose directly from the Departmental review of the project following the failed procurement process in May 2005, protracted tripartite discussions between the Department and the chief executives of the RPA and Dublin Bus which took place between July 2005 and January 2006, the consultancy undertaken to review the project and the peer review undertaken in accordance with a Government Decision on the management of major ICT

projects. The governance system relied on agreement between the RPA, Dublin Bus, Bus Eireann, Iarnrod Eireann, the Department of Social and Family Affairs (DSFA) as well as the private bus operators and Luas. Revised governance arrangements for the project were introduced in July 2006 in the form of a new high level project board charged with the successful delivery of the smartcard technology required to deliver an integrated ticketing system within an agreed specification, timeline and budget.

The board would also consider such other technical scope and design issues as may be necessary to complete delivery of the smart card technology (e.g. technical design issues in relation to possible fare structures and levels, ticket products, revenue collection strategies, data requirements etc). Before a public transport operator could proceed with any of its own ticketing investment proposals, the operator would be required to satisfy the board that the proposed equipment was consistent with the integrated ticketing requirements.

The board comprises an independent chairperson, the chief executives of the RPA, Dublin Bus, Iarnrod Eireann, Bus Eireann, senior officials from the Department and, as appropriate, the DSFA and a representative of the private bus operators. The Minister has appointed a former Secretary-General as independent chairperson of the project board. The first meeting of the new Board took place in July 2006.

The board will be accountable to the Minister for Transport. It has been asked to formally report on progress to the Minister in September 2006 and every 3 months thereafter.

A project implementation team will be established, led by the RPA, to include the current RPA ticketing team and relevant personnel from Dublin Bus, Iarnrod Eireann, and Bus Eireann, private operators and, as appropriate, the DSFA. It will report to the project board and will be responsible for the day-to-day development and implementation of the project. Members of the project implementation team will, however, remain as employees of their own organisations throughout the duration of the project.

The Accounting Officer also informed me that the Department is reviewing the current mandate of the RPA and will amend the underlying Statutory Instrument, if appropriate, in order to give effect to the new arrangements.

She stated that the enhanced governance structure for the integrated ticketing project is designed to recognise the independent statutory role of the various stakeholders while ensuring a single focal point for all key decisions in relation to the integrated ticketing project.

She pointed out that the governance structure employed was intended to be interim in nature pending changes in public transport institutional arrangements. It was always recognised by the Department that the most appropriate locus for the project was in an independent transport regulatory body with statutory powers to govern the public transport market. This is being addressed by the Minister for Transport in the context of his proposals to establish the Dublin Transport Authority.

In the interim, the Minister wants to ensure that the project progresses as expeditiously as possible and that the benefits of expenditure to date are realised.

## **Action Taken to Address Shortcomings**

### **What specific action was taken by the Department to address shortcomings in the interaction between the RPA and the CIE group of companies up to the end of 2005?**

The Accounting Officer stated that, from the outset of the project in 2002, the Department had monitored progress on the project between RPA and CIE. It hosted many meetings between the CIE subsidiaries and the RPA with a view to resolving specific issues on integrated ticketing as they arose. In addition to other correspondence from the Department, she had written to the Chairman of CIE in June

2004 seeking assurances that Dublin Bus, Bus Eireann and Iarnrod Eireann would be full participants in the integrated ticketing system under development by the RPA. The Minister also wrote to the Chairman of Dublin Bus in November 2004 regarding Dublin Bus's interim ticketing arrangements and again in March 2005 to clearly articulate public policy on integrated ticketing.

Following the abandonment of the procurement strategy in May 2005, the RPA presented a revised strategy to the Department in July 2005. The Department was reluctant to agree to the revised strategy until it was assured on the costings and the time frame for the project and until agreement had been reached between RPA and Dublin Bus on the way forward. The Department considered it essential that Dublin Bus, as the biggest public transport operator in Dublin, would be a fully committed participant to ensure the success of the integrated ticketing scheme.

To that end, tripartite talks were arranged in an attempt to resolve differences. In December 2005 agreement was reached on a way forward and formally signed off by the chairmen of CIE and the RPA in January 2006. The agreement covered a number of central issues including the development of a disposable smartcard for operation on Dublin Bus services as an interim step, the RPA to be the issuer of the disposable card with the agreement of Dublin Bus, the withdrawal of the disposable card within 12 months of the introduction of the integrated system, the testing of the software interface on a number of buses and the next steps to be taken by both parties.

Financial provisions were also included in the Memoranda of Understanding (MOU) agreed between the Department and the three CIE subsidiaries in 2005 and 2006.

## Imposition of Financial Sanctions

**Was any consideration given to the imposition of financial sanctions on the CIE group of companies in light of their perceived lack of commitment to the project?**

The Accounting Officer informed me that this was considered. She stated that the MOU on service levels and targets agreed between the Department and the CIE companies provide for subvention payments to be made to the companies. In relation to the integrated ticketing project, the MOU provide for a proportion of the payment to be contingent on cooperation with the integrated ticketing project.

The agreements for 2006 provide that payment be linked to satisfactory participation in the development of the multi-operator system of integrated ticketing. Payment would only be released if, in the opinion of the Department, the companies complied with the relevant conditions of the MOU.

The MOU for 2005 also made provision for the withholding of funds on the basis of compliance with the integrated ticketing project. The Department had written to CIE in December 2005 warning that certain payments associated with progress under this project would be recouped during 2006 if significant progress was not made during 2006. The Department would be making an assessment in due course whether there was sufficient evidence of commitment by the CIE companies to warrant not recouping these payments.

She stated that the CIE companies did not accept that there was or is a lack of commitment on their part to the integrated ticketing project.

## Financial Leverage

**Had the Department exercised the appropriate financial leverage to progress the project considering the substantial subsidies paid to State transport agencies?**

The Accounting Officer informed me that the peer review report, in its concluding remarks, noted inter alia that "a compelling case could be made to make the very substantial Exchequer investment in the

various modes of transport contingent on transport operators introducing the integrated ticketing project.”

She stated that the Department acknowledged and accepted the point made by the report. However, the Department had to balance this with the impact on the travelling public and society generally of the withdrawal or deferral of public funds on the provision of public transport services provided by the State transport agencies. Any financial intervention of this kind which might be considered would, while clearly reflecting a lack of satisfaction with the commitment of the relevant CIE companies to the project, also have to be proportionate, have regard to the overall financial position of the relevant company and the CIE group and not result in a significant curtailment of services provided under public service obligations.

While the Department had made it very clear to the CIE companies that it would exercise the sanctions in the MOU in the event of default of their obligations under the MOU, the Department’s main focus was to ensure that the integrated ticketing project was implemented as speedily as possible and to address the legitimate concerns of transport operators in that context. The new governance arrangements being put in place were designed to achieve this.

Nevertheless, the Department, in November 2005 and again in early 2006, had asked RPA to defer two payments claimed by Dublin Bus in relation to expenditure incurred by the company in procuring electronic ticketing machines. The claim arose from an agreement by the Department (and included in the project budget) to pay a grant towards the partial funding of the cost to Dublin Bus of electronic ticketing machines pending developments on integrated ticketing.

While the Department had initially agreed to the payment of the funds to Dublin Bus, in both cases the agreements were subsequently rescinded. Firstly in November 2005, the Department advised RPA to defer payment pending agreement being reached in the tripartite discussions. Secondly, in February 2006, the Department initially agreed to a payment by RPA claimed by Dublin Bus. However, before payment was made, the Accounting Officer had reviewed the project and, in light of the difficulties and delays experienced, initiated the immediate undertaking of the consultancy review and the peer review. She did not consider it appropriate to make the payments in question to Dublin Bus pending the outcome of both reviews and clarity regarding the future approach to the project.

She stated that these payments are still outstanding and she would be considering whether to release them in light of the decision to proceed with the project and progress under the new arrangements now being put in place.

## **Nugatory Expenditure**

### **To what extent had nugatory expenditure been incurred on the project to date, and specifically, on the procurement process discontinued in 2005?**

The Accounting Officer stated that the RPA informed the Department in June 2005 that the consequential net additional cost resulting from the inconclusive procurement process was approximately € 860,000.

From July 2005 to end December 2005, approximately €700,000 was incurred on the RPA’s project team and on associated expertise. During this time, the RPA’s project team participated in the tripartite talks and supporting technical dialogue which contributed to the resulting agreement with Dublin Bus in December 2005. In the first half of 2006, a further €690,000 was paid to meet the costs of the RPA on integrated ticketing. The funding also contributed to some limited detailed design work and development of the smartcard interface module. While some of the ongoing costs incurred over the past year could be regarded as nugatory expenditure, the Accounting Officer was not in a position to be definitive on the proportion.

The Accounting Officer informed me that the Department moved to address the underlying issues before allowing the project to proceed, while recognising that some nugatory expenditure could be incurred by not giving an immediate go ahead to the revised procurement process proposed by the RPA. She stated that she recognised that there would be ongoing costs associated with the project pending the completion of the two reviews. She took the view, subsequently endorsed by both review reports, that if the project team and associated expertise were to be lost, it would have resulted in significant nugatory expenditure and it would have been difficult to resurrect the project in its current form. In all probability it would have required additional expenditure very substantially in excess of that incurred over the review period to resurrect the project. Therefore, she believed that the continued incurring of these costs was warranted pending a final decision on the project.

### **DFSA Requirements**

**Was she satisfied that the requirements of the DSFA's free travel schemes were being fully catered for in the proposed system?**

The Accounting Officer stated that it was the Department's expectation from the outset that the technical specifications of the integrated ticketing system would address the requirements of the DSFA. That Department had had an involvement with the project at various stages since its inception. It had participated in the project as members of the Steering Committee and had communicated, on a number of occasions, its support for the project. DSFA recognised the benefits of the project and had stated that it was in full agreement on the need to ensure compatibility between the integrated ticketing project and the free travel scheme. The Department was in discussions with DSFA to finalise how it would be involved in the new project board in a manner that recognised the role of that Department as a transport user.

### **Implementation Timetable**

**What was the current best estimate of the cost and time required for the successful and full implementation of the system?**

The Accounting Officer stated that the Minister had set a number of immediate tasks for the project board, including

- to review and settle by way of agreement the scope, timetable and budget for the phased completion of the integrated ticketing project, having regard to the work undertaken by the RPA to date, the agreement signed off by the chairmen of the RPA and CIE in January 2006, the overall target budget of €42.7m proposed by the RPA in January 2006 and the recommendations of both reviews.
- to review the ticketing plans and associated timetable of the transport agencies to satisfy itself on their compatibility with the integrated ticketing project;
- to agree a procurement plan for the project taking on board lessons learned from the experience to date.

The Minister had asked the chairman to report back to him on these issues by September 2006. The cost and timetable for the project would be clearer at that time.

## **Accounting Officer's Conclusion**

The Accounting Officer concluded that projects of this nature were inherently complex and difficult particularly in a multi-operator environment. They also tended to be more costly and to take longer to deliver than initially anticipated. Experience in other countries, such as Australia and the Netherlands, supported this point. The steps taken by the Department were intended to mitigate the difficulties that had arisen in rolling out integrated ticketing with a view to getting best value for money for the taxpayer for expenditure that had already been incurred and to ensure successful implementation of a project that had an important contribution to make to the delivery of integrated public transport.

## 11.2 Dundalk Port Company – Corporate Governance Issues

The Harbours Act 1996 provides for the management, control, operation and development of certain harbours. It enabled the Minister, (the Minister for Transport since 1 January 2006, formerly the Minister for Communications, Marine and Natural Resources) with the consent of the Minister for Finance, to establish companies in respect of certain harbours for that purpose and to define the functions of those companies. Among the companies so established is Dundalk Port Company, which on incorporation took over the functions, previously carried out by Dundalk Harbour Commissioners. The Minister and the Minister for Finance or their nominees are the sole shareholders in the company.

In October 2004, in my capacity as Comptroller, I received a request from the Department of Finance on the recommendation of the Department of Communications, Marine and Natural Resources to release €119,000 from the account of the Exchequer at the Central Bank to enable the Department to provide funding to Dundalk Port Company under the National Development Plan 2000-2006.

On examining the requisition and associated papers, my staff noted references to the propriety of earlier borrowings by the company and the setting up of a subsidiary company. In the light of my misgivings the requisition was not pursued. These matters were followed up during the course of my 2005 audit.

### Unauthorised borrowings

The consent of the Minister and the Minister for Finance is necessary for all borrowings by the company under Section 23(1)(a) of the Harbours Act 1996. However, three instances of unauthorised borrowings by the company were noted as follows

- An unauthorised loan of €371,960, for the purchase of a dredger, was drawn down by the company in October 2003.
- An unauthorised loan of €161,834 for the purchase of a pilot boat was drawn down by the company in August 2004. This loan was drawn down by the company despite the fact that the previous instance of unauthorised borrowing had come to light and had been raised with the company.
- In August 2005, despite correspondence from the Department that it was gravely concerned at persistent breaches by the company of the requirements of the Harbours Act, 1996 and the Code of Practice for the Governance of State Bodies, the Department became aware of a further unauthorised borrowing – a short term overdraft of €280,000 that had been drawn down in February 2005.

The balances outstanding on these facilities as at 1 April 2006 were €103,584, €161,869 and €761,923 respectively. The borrowings have since been repaid using the proceeds of a land sale.

### Unauthorised subsidiary

The consent of the Minister, given with the consent of the Minister for Finance, is necessary for the establishment of a subsidiary company under section 6.1 of the Code of Practice for the Governance of State Bodies. However, the Department had noted on receipt of the company's annual accounts for 2003 that an unauthorised subsidiary company, Dealgan Shipping Ltd (Dealgan) had been incorporated in July 2003.

Dealgan was the registered owner of the dredger and operated it in 2003. Ownership was later transferred to the port company. In June 2004 the port company informed the Department that an employee was allowed a monthly management fee to operate the dredger outside of his normal duties. However, while the management fee was invoiced, no payment was ever made and the company has confirmed to the

Department that no fee will be paid. The company informed the Department by letter in December 2004 that Dealgan had ceased trading with effect from 1 September 2004.

## **Audit Concerns**

In view of the foregoing I asked the Accounting Officer if she was satisfied with the monitoring by the Department of the activities of the company and whether, in view of the level of unauthorised activity in the company, she was satisfied that corporate governance in this and other State port companies was in line with best practice.

I also asked her to comment specifically on

- Measures taken to ensure that unauthorised borrowings are not drawn down by the company or any other state port company
- The delay in striking off Dealgan
- The conduct of the sale of the land.

## **Accounting Officer's Response**

The Accounting Officer informed me by way of background that her Department had assumed responsibility for maritime transport functions on 1 January 2006. Dundalk Port Company is required to take all proper measures for the management, control, operation and development of its harbour. Operational decisions relating to the port are primarily a matter for the port company and its board.

On becoming aware of the existence of the subsidiary when considering the company's accounts for 2003, which were signed off by the company on 25 March 2004, the Department launched an immediate investigation into the reason for the establishment of an unauthorised subsidiary, and led to a temporary postponement of the company's AGM. The company was instructed that it must produce a comprehensive business plan for the subsidiary in order for the matter to be considered further.

In giving guidance to the company on the production of a business plan, it became apparent to the Department that a primary driver for the establishment of the subsidiary was an erroneous perception on the part of the company that such an arrangement was necessary in order to draw down National Development Plan funding. When the Department clarified to it that this was not the case, the company undertook that Dealgan would cease trading and be wound up.

In consultation with the Chairman of the company the Department engaged the services of a firm of accountants and business advisors in September 2005 to provide a report on the state of affairs of the company. The key recommendations received were

- To consolidate all unauthorised loans and facilities into one authorised bridging facility of €700,000 to be repaid as soon as possible using the proceeds of a proposed sale of property
- To train company staff in corporate governance procedures
- To monitor quarterly the implementation of these recommendations and the ongoing performance of the company and its management.

In this way the Department sought to get assurance that proper procedures would be implemented and maintained.

The firm of accountants and business advisors were re-engaged in December 2005 to provide the necessary training and oversight. In a progress report dated 10 May 2006 they confirmed that all

recommendations were being implemented. In the light of these developments the Accounting Officer stated that she was satisfied with the monitoring by the Department of the activities of the company.

In relation to the particular audit concerns the Accounting Officer informed me that

- The requirement to obtain the consent of the Minister before arranging to borrow finance is clearly laid out in the Harbours Act 1996. The Department had written on 10 March 2005 to the CEO of each port company, including Dundalk, to outline what procedures must be followed when submitting a borrowing application. In the specific case of the company, the Department has confirmed that unauthorised borrowings have been repaid by the company from the disposal of a non-core asset, that appropriate commitments to future compliance have been obtained and that appropriate monitoring and training arrangements have been put in place. Similar breaches had not come to light in any of the other port companies.
- The consultants had informed the Department that Dealgan could not be struck off the register of companies until 2005 accounts had been prepared. All requirements for strike off had now been carried out and the Department understood that strike-off would be completed shortly.
- The consultants had monitored the closing stages of the sale of land on behalf of the Department. The property was sold on the open market and the Department understood that the process was carried out under the relevant Government guidelines.

The Accounting Officer confirmed the validity of the commercial decision to purchase the dredger, thus avoiding the expense of renting a vessel on a temporary basis. In fact, the company could not have afforded to have the dredging work carried out at the rates quoted by international companies. Failure to carry out the dredging would have ultimately led to the closure of the port.

She added that Dundalk Port is seeing the benefit of the dredging work carried out. It permits access to larger vessels and has led to a significant expansion of the port's customer base and throughput. As a result, the port company has indicated that it hopes to return an operating profit in the current year.

## 11.3 Performance Audit of State Port Companies

The Harbours Act 1996 also provides that the Minister may appoint a suitably qualified person to carry out an examination as to the efficiency and cost-effectiveness of the performance by a state port company of its functions and to report in writing to the Minister the results of the examination. The Minister shall submit a copy of such a report to the Government and the company or companies to which the report relates.

In the course of my review I noted that in September 2000 the Department commissioned a performance audit of the State's port companies under the provisions of Section 29 of the Harbours Act, 1996. The consultants recruited examined the efficiency and cost effectiveness of the performance of the following port companies

- Dublin Port Company
- Port of Cork Company
- Dun Laoghaire Harbour Company
- Shannon Estuary Port Company/Foynes Port Company (merged December 2000)
- New Ross Port Company
- Galway Port Company
- Drogheda Port Company.

The consultants' report was received in Spring 2001 but I noted that it had not yet been presented to Government as required by Section 29(2) of the Act. I asked the Accounting Officer why, what action the Department had taken as a result of the report and whether, in light of the content of the report, it was proposed to commission any further performance audits.

### Accounting Officer's Response

The Accounting Officer informed me that submission of the audit findings to Government had been delayed on foot of legal advice, dated April 2002, regarding a judicial review sought by former board members and employees of one port company. This advice stated that if the Department wished to present the report to Government then any mention in it of that particular port company should be deleted. The cases were struck out in March 2004 as part of an agreed settlement. The report was eventually presented to Government on 12 July 2006.

She stated that, in summary, the performance audit found that the eight State port companies operating in 2001 managed very different ports, that the companies had successfully accommodated rapid traffic growth, were generally adapting to a more commercial mindset and were becoming cost efficient and customer focused. In January 2005, the Minister for the Marine had launched the Government's ports policy statement. This aimed to better equip the port sector and its stakeholders to meet national and regional capacity and service needs through clearer commercial mandates for the ports and their boards, encouragement of private sector investment and mergers, better dispute resolution and better transport policy coordination. These issues were consistent with a number of the performance audit findings.

## Department of Transport

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She also informed me that the Department did not propose to commission any further composite performance audits of all the State port companies. The Department believed that, having regard to the number and diversity of the State port companies, individual monitoring and targeted intervention where necessary was more efficient and cost effective. The Department also considered that the mandatory annual reporting requirements that apply to the port companies, together with regular meetings and other contacts, was the appropriate mechanism for monitoring the performance of the port companies. The focus of current Government policy was on sectoral ports policy and, in that context, an extensive study has just been completed in the area of port capacity.