



**TYNWALD COURT  
OFFICIAL REPORT**

**RECORTYS OIKOIL  
QUAIYL TINVAAL**

**PROCEEDINGS**

**DAALTYN**

**(HANSARD)**

**SELECT COMMITTEE ON THE  
MANX ELECTRICITY AUTHORITY**

**BING ER-LHEH TINVAAL MYCHIONE  
LUGHT-REILL LECTRAGHYS ELLAN VANNIN**

**Douglas, Wednesday, 7th May 2008**

**Members Present:**

Chairman: The Speaker of the House of Keys (Hon. S C Rodan)  
Mr D M W Butt, MLC  
Mrs C M Christian, MLC  
Mr D J Quirk, MHK

*Clerk:*  
Mrs M Cullen

**Business transacted**

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*Mr Cashen was called at 12.15 p.m.*

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*The Committee sat in private at 1.06 p.m.*

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## Tynwald Select Committee on the Manx Electricity Authority

*The Committee sat in public at 11.03 a.m.  
in the Millennium Conference Room,  
Legislative Buildings, Douglas*

[MR SPEAKER *in the Chair*]

### Procedural

**The Chairman (The Speaker of the House of Keys, the Hon. S C Rodan):** Good morning to you and can I welcome everyone to this meeting which is a sitting of the Select Committee of Tynwald on the Manx Electricity Authority to take evidence in public session.

The Committee was established by Tynwald in July 2005 and it may be helpful if I, for the record, set out our remit, which is:

*‘to investigate the true and correct position with regard to the Manx Electricity Authority’s affairs and, noting the PKF Report, to investigate the role of the Authority, the Treasury, the Department of Trade and Industry and other parties deemed appropriate, to ascertain what went wrong and to report to Tynwald with findings and recommendations.’*

So that is the remit of the Committee.

May I first introduce my colleagues on the Committee, who are: Mrs Christian MLC; Mr Butt MLC; Mr Quirk MHK; our Clerk, Mrs Marilyn Cullen; and the *Hansard* Editor, Mr Clive Alford, who is responsible for recording today’s proceedings. At this point, could I ask anyone who has a mobile phone to please ensure it is switched off to avoid any interference with the recording.

As you will have gathered from the remit, our investigation is very wide ranging and we have received a considerable quantity of written evidence. The Committee has therefore decided to progress its investigation by separating the various issues where practicable, and to investigate them in sequence, and we will therefore be issuing a series of interim reports.

We are therefore currently concentrating on the MEA’s compliance with financial regulations and the provision of information by the MEA to Treasury and to the Department of Trade and Industry.

We are conscious that many of the events to be investigated took place some years ago, and therefore, in fairness to witnesses, we have prepared a file of evidence which relates to the subject matter currently under investigation. The witnesses have had an opportunity to view the documentation in order to refresh their memories and the file will be placed in the Tynwald Library at the conclusion of this oral evidence session and will be available to members of the public.

I should also point out that Mr Shimmin and Mrs

Williams, who were due to give evidence tomorrow afternoon, are now required to attend an important meeting in Washington, and their evidence will now take place on the morning of Thursday, 29th May. Mr McGreal, one of our witnesses tomorrow, will give a fuller explanation of why they are unable to attend this current session when he attends the Committee tomorrow.

Therefore, with that, ladies and gentlemen, I call forward our first witness, Mr Colin Kniveton.

### Administration of the Oath

**The Speaker:** Good morning, Mr Kniveton. Thank you for attending today, and I will ask our Clerk, Mrs Cullen, to invite you to take the Solemn Oath.

**The Clerk:** Would you prefer to take the Oath, or would you like to affirm?

**Mr Kniveton:** I will take the Oath, thank you.

*Mr Kniveton took the Bible in his right hand and repeated the Oath.*

**Mr Kniveton:** I swear by Almighty God that the evidence I shall give to the Committee, at this and any further hearing, shall be the truth, the whole truth and nothing but the truth, so help me God.

### EVIDENCE OF MR C KNIVETON

**The Chairman:** Thank you, Mr Kniveton. Please help yourself to water.

If we could begin... If I could ask you to state your name and your role and responsibilities in Treasury in the relevant period and when actually you served in Treasury, that would be very helpful.

**Mr Kniveton:** Thank you, Mr Speaker.

My name is Colin Kniveton. I am a Fellow of the Chartered Institute of Management Accountants.

I joined Government originally in June 1998 as Director of Finance at the Isle of Man Water Authority, which, as the Committee will be aware, is a Statutory Board of Government.

In August 2001, I was promoted to the role of Assistant Financial Controller (Budget and Financial Management) at the Treasury, and the staff I controlled at that time comprised of one accountant, one higher executive officer and one executive officer, plus the staff within the Capital Projects Unit, which consisted of the Capital Projects Co-ordinator, his assistant and one administrative officer.

In November 2002, I was promoted to the role of Financial Controller. In addition to the budget and financial management responsibilities, which consisted primarily of the annual budget preparation, which, as Members will be aware, is an annual process that ongoing throughout the year, there was also the review of business cases for Department expenditure proposals, collating information on capital

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### Procedural

projects, and providing advice on all aspects of expenditure when requested by Departments and Statutory Boards to do so.

Having become the Financial Controller and the head of the financial division, the additional responsibilities included: the preparation of Government's annual accounts; Government insurances; the overseeing of Government's investments which, during my time at the Treasury, amounted to in excess of £1 billion in value; at the time, the vehicle licensing section, which was transferred back to the DoT in 2005-06; and also pension administration at the time, which has subsequently been transferred to the Personnel Office.

In July 2006, I left the Treasury to take up my current role as Chief Executive of the Department of Agriculture, Fisheries and Forestry.

**The Chairman:** Thank you, Mr Kniveton. That is very helpful.

I would like to give you the opportunity to make an opening statement to the Committee before we put specific questions to you.

Could I also thank you for the paper you submitted, back on 3rd October 2005, to the Committee by way of a review of the MEA group activities. The memorandum is marked confidential. We would like to enter this as evidence to the Committee and may we have your permission to do so. (**Mr Kniveton:** Okay.) We do actually have copies of that document before us, should you wish to refer to it.

**Mr Kniveton:** Thank you.

**The Chairman:** Thank you, Mr Kniveton. So, over to you.

**Mr Kniveton:** While at the Water Authority, I gained a very good understanding of the procedures and protocols relating to the interaction between the Treasury and a Statutory Board, from the perspective of a Statutory Board.

Having joined Government from the private sector, I would describe a Statutory Board as having more autonomy in its affairs than a Government Department, primarily because of the nature of its funding. It is not funded through taxation, but via its customers, and also it has the existence of lay board members as part of its management structure. However, at the Water Authority, it was always clearly understood that there were very clear limits to such autonomy, especially when it came to financial matters.

During my time at the Water Authority, a 20-year strategic business plan was produced, detailing primarily the capital infrastructure renewal works necessary to bring the water supply into the 21st century. This plan was approved unanimously by Tynwald in July 1999.

The total cost for the many individual schemes was estimated to be £75 million, and the Water Authority, in conjunction with its financial advisers, concluded that an Isle of Man Government bond issue would be the most cost-effective way of providing 30-year fixed-rate finance. This strategy was approved by the Treasury and it was further agreed to secure an Isle of Man national credit rating. This resulted in the award of the coveted AAA rating, which has stood the Island in good stead since that time.

At all times, the Treasury was fully involved in the

processes of appointing financial advisers and the lead bank and was involved in all interviews and processes during that period.

When the works commenced, it was always known that the actual amounts to be spent during the course of the plan would not be as originally projected. It was also known that it would not be possible to borrow additional funds without, (a), extensive discussions with the Treasury, and, (b), as part of those discussions, a complete reappraisal of the Water Authority's charging structure to provide the means of servicing any additional borrowings.

Working within these restraints, a significant proportion of the planned works have now been completed. During the past nine years, income and expenditure have been contained within the original budgets, thereby ensuring a successful outcome.

With regard to my responsibilities at the Treasury, I have detailed the resources and the tasks that took place within the Finance Division of the Treasury. In respect of the scale of activities relating to these tasks, it should be appreciated that the Treasury was overseeing Government revenue expenditure at the time of in excess of £500 million per annum, plus a capital programme averaging £100 million per annum. These figures do not include the expenditure of the Statutory Boards of Government.

As such, the Treasury relied upon officers of Government Departments and Statutory Boards to supply accurate, timely and full information in response to the monthly, quarterly and annual accounting and budget procedures. The Treasury could not be in a position to review such a significant amount of data on a monthly basis in order to assess whether a Department or Statutory Board was likely to exceed its authorised limits of expenditure if such expenditure was not being accurately reported.

A retrospective and cumulative analysis of the data supplied by the MEA to the Treasury reveals that the first time such information indicated that the MEA may have been spending more capital than it had been lent by the Treasury was in November 2004 when the draft accounts for the year ending 31st March 2004 were made available. I do have a summary document of the capital spending returns from the MEA for the period 1st April 2001 to 30th September 2004, which have been verified by the MEA as being an accurate reproduction of the figures that they supplied to the Treasury during that period.

In paragraph 48 of a statement made by four of the former board members, it is alleged that the Treasury and Government, and I quote:

'...either knew of the loans all along (as it should have done, and as we say it did) or it did not know of them, in which case, very serious questions of competence arise.'

As the officer responsible for the Finance Division of the Treasury during this period, I can categorically confirm that the Treasury knew nothing of the additional loans until 5th November 2004 when I reviewed the MEA's draft 2003-04 accounts.

Therefore, the suggestion of some form of cover-up is one that I can absolutely refute, and I will leave it to this Committee to judge upon my level of competence during this period.

Thank you.

**The Chairman:** Thank you, Mr Kniveton.

From your opening remarks concerning the Water Authority, with which you had an intimate financial knowledge, what was your opinion, on arriving in Treasury, on the way that the MEA, as a Statutory Board, was conducting its affairs, compared with the Water Authority?

**Mr Kniveton:** When I arrived at the Treasury, which was in August 2001, there was no reason whatsoever to believe that the MEA was acting in any way inappropriately.

**The Chairman:** Subsequently, of course, a very different picture has emerged.

When you found that the reporting procedures and accounting procedures of the MEA were outwith what you would normally expect of a Statutory Board, what was your view?

**Mr Kniveton:** I think this relates to question 16, with regard to the issue relating to GAAP standards and...

**The Chairman:** Yes, and perhaps... I am really leading into that.

On 15th February 2004, you produced a report to the Minister and Members of Treasury, an analysis of the financial statements of the MEA 2002-03, and indeed, as you have just referred, in that particular report you referred to the fact that the GAAP standards, – the Generally Accepted Accounting Principles – which are generally applied, had been changed in the case of the MEA.

What was your view on that? They had previously reported to GAAP standards, and then there was this change.

**Mr Kniveton:** I think that the change in accounting policy as such did not necessarily create too many concerns, although it did seem inappropriate that one Statutory Board of Government was utilising a different set of accounting rules to those that the likes of the Post Office and, indeed, the Water Authority were utilising.

However, this matter had been discussed before a Public Accounts Committee and I had given evidence to that Committee on the changes that related to the manner in which primarily interest payable on the bond issue was being treated.

For the benefit of the Committee, I would explain that, normally, if you wanted to comply with GAAP standards, you would charge that interest to the profit and loss account, whereas the MEA board had taken a decision that it was going to capitalise that cost, and therefore it was not reflected in the profit and loss account but reflected in the balance sheet. What that did was make the profits of the MEA appear higher than they might have done, because this cost was not being charged.

However, the auditors pointed out that, under the Audit Act 1983, which is the Act of Tynwald that the auditors undertake their work upon, this was quite permissible and therefore there was nothing, from an accounting point of view, that would prevent the board of the MEA taking that approach.

**The Chairman:** You have made, in your report, a comment as follows, that:

‘Under notes to the accounts, the main issue is in note 1. Accounting policies which refer to the deferred expenditure issue mentioned previously. Depreciation is charged in the year following that in which expenditure was incurred or for generation plan in the year of the commissioning.’

Is that what you are referring to by the departure from GAAP standards?

**Mr Kniveton:** Yes, there were two issues, I think. The depreciation is actually a separate issue, and I was pointing out that, again, there was a postponement of the depreciation charge, which may, in other accounting treatments, have been chargeable sooner to the accounts than appeared to be the case in the MEA’s accounts.

Again, discussions with the auditors revealed that this was a permissible accounting treatment. It obviously indicates the fact that accounting is not an exact science, and often more than one approach can be perfectly legitimate, especially if the less onerous requirements of the Audit Act 1983, which at the time was the standard which the auditors were auditing to – although that has subsequently been amended – meant that what was happening was perfectly legitimate.

**The Chairman:** Notwithstanding that the change from applying GAAP principles meant that the accounts would no longer contain the phrase –

**Mr Kniveton:** True and fair view.

**The Chairman:** – ‘true and fair view’ of the MEA’s activities.

**Mr Kniveton:** Yes, and that can only be included in statements which prescribe to the GAAP principles.

I think the point I was trying to make was that, irrespective of the accounting treatments that were being adopted, the accounts for 2002-03 gave indications that, unless issues were being anticipated in the future that I was not aware of, then the overall financial position of the MEA did not look particularly promising, given that one could anticipate increasing interest charges, which sooner or later would have to be applied to the profit and loss account. There would be a reduction in interest earned, because they had cash in the bank that was obviously going to come out as expenditure was incurred, and also that the depreciation charges would increase as the assets grew and were constructed. So I was trying to look ahead to a situation that could arise, that unless there were increases in the revenue stream to the MEA, then, in fact, the MEA might be in danger of moving into a deficit situation.

**The Chairman:** Of course, for 2002-03, the borrowings had not taken place yet. They took place after that financial year.

**Mr Kniveton:** They had the £185 million –

**The Chairman:** Yes, but the subsequent borrowings.

**Mr Kniveton:** Yes, and my concern was not that the MEA... I have to say it was not envisaged that more borrowings would take place, but simply on the existing level of borrowings, i.e. the £185 million which... A full

year's interest charge on that, I believe, from memory, was about £9 million. By the time that started to affect the profit and loss account, plus the increased depreciation charges, as I mentioned, and other factors within the accounts, then there would have to be sizeable increases in income in order to balance the books.

**The Chairman:** Therefore, there was, in the 2002 and 2003 accounts, the beginnings of some concern. Later, of course, the year you reported – this was February – in November 2004 it became clear what had actually happened in terms of increased borrowings, the unauthorised borrowings.

**Mr Kniveton:** Indeed, although on the basis of 2002-03 it was never envisaged that such borrowings would ever take place, and I think it is a point I would want to stress, the idea that this problem could be resolved simply by going and borrowing some more money was not one that was ever really entertained because it was so outwith the normal processes and procedures. It just did not register.

**The Chairman:** Just staying with the 2002-03 accounts, the report of the MEA on which you were reporting to Treasury, can I just ask colleagues if they have any questions so far?

Mrs Christian.

**Mrs Christian:** Yes, could I just ask, Chairman, you have indicated that the accounting treatment is a legitimate accounting treatment. Had there been any general agreement with Treasury, for example, about the capitalisation of bond interest? Was there an anticipated treatment?

**Mr Kniveton:** No. I think one of the questions was at whose request had the MEA accounting policy practices changed. I think the request, or the decision to change was made by the board and, as it complied with the requirements of the Audit Act, there did not appear to be any legitimate reason to query that.

**Mrs Christian:** The Audit Act has now changed (**Mr Kniveton:** Indeed.) and clearly, perhaps that was one –

**Mr Kniveton:** As a result of this.

**Mrs Christian:** As a result of this, thank you.

**Mr Kniveton:** I think that was one of the outcomes of the PAC review.

**Mrs Christian:** Thank you, Chairman.

**The Chairman:** Thank you.

**Mr Quirk:** Can I ask Mr Kniveton –

**The Chairman:** Mr Quirk.

**Mr Quirk:** Just regarding the reporting procedures then, if you had concerns, how would those concerns be then stressed out to Treasury?

**Mr Kniveton:** From an officer point of view, by the

production of the paper for the consideration of the Treasury Members.

**Mr Quirk:** Just to lead on from that then, the political Members would be involved, then, from the Treasury?

**Mr Kniveton:** This was a paper that was received at one of the Wednesday meetings of the Treasury, yes.

**The Chairman:** Mr Butt.

**Mr Butt:** Yes, can I ask, in reference to the accounting practice being different with the MEA, compared to, say, the Water Authority, although it was lawful and acceptable under the old Act, what effect would it have to a layman reading the final accounts? Would it give an impression of the MEA being more profitable, more prosperous than would otherwise appear?

**Mr Kniveton:** Yes, I think, is the short...

Obviously, it would depend how knowledgeable the person was with regard to looking at what was being included. You have to look for one or two clues as to what is being included in the profit and loss and what is being included in the balance sheet, but had the GAAP accounting treatment been followed, then the profits would have been less than were being stated in the manner in which the accounts were being prepared at that time.

**The Chairman:** Turning now to the quarterly reports that were submitted by the MEA to Treasury – they were routinely sent to Mr Neil Rivers in Treasury – and we have got various examples of these e-mailed reports, the one of 15th October 2003 being a typical example. I have to say when we saw these, as a Committee, we were struck by the layout and the information contained within them.

**Mr Kniveton:** Do you have copies of the summaries?

**The Chairman:** I am sure we do, but if you could let us have these, Mr Kniveton... Thank you very much. These were the summaries prepared by whom?

**Mr Kniveton:** By Mr Rivers.

**The Chairman:** By Mr Rivers.

**Mr Kniveton:** The procedure would be that... These figures are required by the Treasury for inclusion in the quarterly report that goes to the Council of Ministers. Primarily, the purpose of the figures is not actually to determine whether or not somebody is spending too much money, but normally to determine whether or not they are actually getting on with capital projects, because one of the Treasury's key performance indicators is to achieve a certain level of budgeted capital expenditure, and because of the size of the capital programme in recent years, there have been years when the actual spend has been well below the budgeted spend, and Treasury is always looking to ensure that capital projects are moving ahead.

So when it comes to the Statutory Boards, because they are not tax funded, and therefore they do not appear in the main stream of Government's accounts as such, they are revenue funded. It would be fair to say that the Treasury is

not as interested in those figures, because it assumes that the finances of these trading Statutory Boards are ring-fenced and that they are... They have an allocation of capital, they have their own limits to their borrowings and they have their own income streams. So, in the case of the Post Office, the Water Authority and the MEA, these figures are combined into a single figure for the three main Statutory Boards and then submitted on the quarterly report to the Council of Ministers, which I am sure you will be familiar with, which then is one of the statistics that the Council of Ministers receives each quarter.

**The Chairman:** So the raw information supplied by Statutory Boards, including the MEA, is on the capital spending for the particular quarter, and you would expect them to be in the very basic form.

**Mr Kniveton:** Yes. Basically, it is the headings that are set out in the Pink Book each year which give the main headings of capital expenditure. It is normally... Certainly in the Departments' case they report on those Pink Book headings, so if, for instance, the DoT has commenced its airport runway extension, that would be a heading in the Pink Book and they will give a figure each quarter as to how much money has been spent on that particular project.

**The Chairman:** And the purpose of supplying these figures was to summarise for the quarterly reports to the Council of Ministers.

**Mr Kniveton:** Yes, they were requested by the Council of Ministers and Treasury were simply facilitating that request.

**The Chairman:** To keep track of the capital programme as a whole, whether targets were being met in accordance with the Pink Book.

**Mr Kniveton:** Yes.

**The Chairman:** So the quarterly capital spending figures from the MEA, while they just give a number of headings and totals, were in a standard form for the purpose that they were required.

**Mr Kniveton:** Yes. I was not involved in the detailed preparation of these, or indeed the receipt of information, but my understanding is that every Department would send in a sheet similar to the one that you have there. The reason that the summary has been collated in the way it has done is that there have been a number of comments with regard to the fact that Treasury could use these capital quarterly returns and, by undertaking a cumulative exercise, could have deduced that the MEA was spending more money than it actually had been lent by the Treasury, i.e. the £185 million. As you will see from the figure at the bottom, the cumulative figure for a period that is of three and a half years is £178.5 million.

Whether or not, I have to say, the Treasury would have picked up that type of... made that deduction on the basis of that information supplied, I cannot honestly say, but the Treasury would also be aware that, as the bond issue itself was not released, and the bonds were not sold until, I think, July 2001, when Tynwald authorised that – the

bond issue – the funds may not have been received until possibly September of that year. So you have, even within that £178.5 million of expenditure, a period where the MEA would have been using other funds to finance some of that capital expenditure.

Indeed, on an ongoing basis, historically, the MEA had always financed some element of capital expenditure from its existing revenue resources. So I think the point I am trying to make is that you could not deduce from that information that more money had been spent, and that is picked up by PKF in paragraphs 216 to 221 of their Report.

**The Chairman:** And this is the only source of financial reporting to Treasury, the submission of these quarterly figures for compiling the quarterly review for the Council of Ministers?

**Mr Kniveton:** The only other source of information would be from the annual accounts that were produced, but again, if you look at the financial statements that were produced for 2002-03, they did not give any indication of a potential capital overspend, whereas, of course, by the time the 2003-04 accounts were produced, it was too late.

**The Chairman:** So there really were not sufficient financial details in these reports for Treasury to monitor whether the project was being overspent or not.

**Mr Kniveton:** It was not really a question of the detail. The cumulative figures indicate that they were not overspending.

**The Chairman:** Within what was authorised within the Pink Book figures.

**Mr Kniveton:** You do not know whether or not a project is actually going ahead of schedule, in which case you would expect to see a higher amount of expenditure. Often, it is the other way, where projects lag behind the anticipated timetable and you see much lower actual expenditure figures, but unless you knew the precise percentage of work that should have been completed, and therefore the percentage of the budget that had been completed, then you would not be able to pick up that, and to do that for every capital project across the whole of Government and all the Statutory Boards would be such a monumental task that it would be very difficult, I think. Certainly, with the resources that were available, you would need a team of people just trying to keep track of what was happening.

**The Chairman:** So the quarterly figures submitted showed that the MEA were within the approved borrowings – the £185 million that Tynwald had approved – and the various elements of that were being reported on, and there was no evidence of any overspend.

**Mr Kniveton:** No, and again, the purpose of those figures was never to enable the Treasury to deduce whether or not an overspend was taking place. If a Department, or a Statutory Board, felt that there was an overspend taking place, the Treasury would expect that Department or Statutory Board to come and talk to it.

**The Chairman:** The Department, in this case, with responsibility for this Statutory Board being the DTI.

**Mr Kniveton:** I am not sure that they would agree with that statement, but they will obviously give their views as to –

**The Chairman:** They were the reporting Department. I understood you to say you would expect the Department to –

**Mr Kniveton:** Those figures came directly to us from the MEA. I do not believe that they went to the DTI as well. They came to the Treasury because, as I say, they were requested for the Council of Ministers' quarterly report.

**The Chairman:** The monthly meetings with DTI quite often had a member of Treasury in attendance.

**Mr Kniveton:** Yes.

**The Chairman:** Did that Treasury officer routinely report to Treasury the outcome of those meetings where, presumably, there would be reported the other activities that you refer to, other expenditures that had historically been taking place by the MEA? Was that information conveyed back to Treasury and considered, along with these standardised quarterly figures, to build up a picture of what the MEA were spending?

**Mr Kniveton:** The notes of those meetings that I have seen indicated that there were no financial matters discussed at those liaison meetings.

**The Chairman:** Mr Butt.

**Mr Butt:** Thank you.

The quarterly reports, basically, have basic information of baseline expenditure, and nothing else. However, at the same time, your Capital Projects Unit, I understand, throughout this period were actually pressing the MEA for further information. Is that right?

**Mr Kniveton:** Yes.

**Mr Butt:** In your role, how aware of that were you?

**Mr Kniveton:** I was aware that the amount of information that the Capital Projects Unit was receiving was not in accordance with what we would normally expect to see from a Government Department, and that there was some degree of tension between the Capital Projects Unit and the Electricity Authority.

**Mr Butt:** There were further reports which were given every month, or most months, by Mr Ashton Lewis, you may be aware, called 'Monthly Progress Report', which basically gave details of how the project was working. Are you aware of those?

**Mr Kniveton:** No, I have not seen those.

**Mr Butt:** At the end, there is a summary of monthly reports, where there is a compilation, presumably by somebody from the Treasury, as to the value of the information provided. Is that under your remit?

**Mr Kniveton:** It may well be under my remit, but I have not actually seen the documents that you are referring to, so...

**Mr Butt:** Could I ask then, as to your remit: in your role, who reported to you, and who did you report to?

**Mr Kniveton:** Reporting to me were the two assistant financial controllers, and I reported, in turn, to the Chief Financial Officer.

**Mr Butt:** So the Capital Projects Unit would be reporting to you of their concerns, if there were any?

**Mr Kniveton:** Yes.

**Mr Butt:** In this period, were you aware that there was correspondence going between Mr Clive McGreal and Mr Thompson about concerns?

**Mr Kniveton:** I was copied in on various items. I would not say they happened every week, but they happened periodically during the period.

**Mr Butt:** And reports to the Treasury?

**Mr Kniveton:** Yes, I have got some of the reports, and again they indicated that the detail of the information that we were receiving was not what we would normally expect to see, but we were also receiving assurances that, from an overall point of view, the projects were on budget, and in fact at various times were reported to be under budget.

**Mr Butt:** How does that compare with your Water Board experience? I think you said, in your opening remarks, that when the project of £85 million was set up you expected not to go over that, and if you did, you had to accommodate some other way of doing it. What indication was there at all, during this period, that the £185 million bond was likely to be exceeded?

**Mr Kniveton:** As I said earlier, there was nothing in the information that we were receiving. Even though there were some disagreements with regard to the amount of detail that we were receiving, I think the underlying point was that there was nothing to indicate that, in total, the capital projects of the MEA were overspending and that they would require additional finance.

Had that been the case, then we would have expected to have sat down with the MEA and agreed a way forward with them, and I think... It is not to say that the Treasury would have said, 'Well, I'm sorry, you cannot have any money.' I think the Treasury would have sat down and looked at the business case, looked at how such borrowings could have been funded – overspends do happen in Government projects – and the option would have been to have looked at the overall programme of works to see if some projects could have been deferred to a later date, to see what savings could have been made with the existing projects to keep it within the original budget of £185 million, or indeed then to discuss how additional finance might have been made available to the MEA.

**Mr Butt:** Can I just have one more? In view of the

concerns which you were aware of from your Capital Projects Unit, and the non-compliance with their standards, and the lack of information, as you say, what action did you take to try to obtain the information?

**Mr Kniveton:** I think one of the issues was we were aware that there was a high-level disagreement between the Treasury and the MEA with regard to whether or not the MEA actually believed it had to comply with these regulations. Therefore, there was this consistent view expressed by the MEA that it did not actually have to comply and that Treasury could not actually enforce the requests that it was making.

So, with that background, we were simply trying to negotiate positions with the MEA to carry on trying to obtain the information that we could, but always on the assumption that, whilst these were details, everything that we were being given indicated that the projects were proceeding – indeed, you could actually see them proceeding – and that there was no indication that they were overspending.

Now, looking back, of course, the fact that the borrowings were being taken out obviously puts a very different light on that statement, but I think, up until this particular incident, such a situation had never arisen in Government in the past, where this type of activity took place unbeknown to the Treasury, so we did approach it in that manner. The fact that additional finance would have been sought outwith the Treasury's normal procedures was not really an issue that anybody thought would seriously happen.

**The Chairman:** Sorry, just to come back on this, we are talking about a period where Treasury was extremely dissatisfied with the non-compliance with financial regulations by the MEA, and that was regularly reported on, and during this time, the bare information, financial information and baseline reporting was taking place. Was there never any period where you felt that the breakdown of expenditure ought to have been reported on in considerably more detail than it was, given the non-compliance with financial regulations? You still took it on trust that the quarterly figures – those bare figures in the format that other Departments sent them in – was sufficient for you to keep a financial watch over the project?

**Mr Kniveton:** I am not sure that our role was always to keep a financial watch over the project. The board of the MEA were there to keep a watch over the project, and obviously they had their engineering and accounting staff to do that.

We were satisfied with the information that we were receiving, that the projects were proceeding within the amount of capital that the MEA had at its disposal, which had been lent to it by the Treasury. Whilst now it appears that the capital returns did not include all the items of capital expenditure that the MEA was actually incurring, the fact that anybody would actually omit those items of expenditure was not something that was contemplated at the time.

**The Chairman:** But they were not complying with capital procedures the whole way along, so it should not have been a surprise.

**Mr Kniveton:** They were complying with some items of capital procedures, but not all items, and, as you say, there were regular meetings taking place involving the DTI

and the MEA. At no time during those meetings was it ever flagged up that the MEA was effectively running out of cash. So there were ample opportunities for those statements to be made and for everybody, both the DTI and ourselves, to be made aware of that situation.

**The Chairman:** But this whole time, of course, Treasury was very exposed. In the written evidence from Treasury officers that is said: that Treasury is exposed from the fact that the capital procedures were not being adhered to.

**Mr Kniveton:** We would have had the same issues with Departments and with other Statutory Boards, had the capital returns been inaccurate, or had those Boards decided not to be forthcoming with the Treasury in respect of their true financial position, and I do not think...

As I say, the Treasury, with the officers at its disposal, could not interrogate or mount investigations every quarter to establish, by means of some form of audit on invoices paid and bank statements and everything else that you would have to go through in order to establish whether or not the information being provided was correct or not. It felt entitled to rely upon the information that it was being provided with, and I really do not see how Government could operate if there was not that sort of relationship between the Departments, the Statutory Boards and Treasury.

Treasury is effectively collating this information and providing it, in various formats, to other groups, and yes, it would be looking at it itself from an overview position, but the figures did not indicate that there was anything wrong.

**The Chairman:** Financial regulations and compliance, though, were being adhered to by all other Government Departments.

**Mr Kniveton:** We believe so, yes.

**The Chairman:** Mrs Christian.

**Mrs Christian:** I think perhaps we have just covered it, but I would just like to develop a little bit further the purpose to which you put the figures that you were receiving. I think you said you monitored them for the quarterly report, so that you have got pure capital spending. Did you monitor that against the budget for the year on each capital project?

**Mr Kniveton:** If it looked as if a particular line on the quarterly capital returns indicated that the total amount spent exceeded the budget for that project, then I am sure that would have been picked up, although I am not –

**Mrs Christian:** That is the point: you are sure that would have been picked up.

**Mr Kniveton:** Yes.

**Mrs Christian:** Earlier on, you talked about the comment in the submission by some of the directors which expected you to have picked up what the capital spending was, and said that Treasury should have known, but you also said, 'We might have picked up that they were going over the allocated budget; they got to £178 million over the three-year period, so we might have picked it up if they had gone over.' Is that what the purpose of –

**Mr Kniveton:** It would have been more intuition, I think, than the numbers themselves. I would not, as a matter of course, look at every Department, at every project within every Department, every Statutory Board, every project within each of the Statutory Boards, to then undertake an exercise to determine how far has that project progressed and how much have they spent relative to that progress.

**Mrs Christian:** Would the issue of expenditure relative to progress be really the matter for the Capital Projects Unit to monitor?

**Mr Kniveton:** As far as the actual progress on the project was concerned, they would have a better knowledge of how much progress had been made on a particular project, but again, given that there is one capital projects co-ordinator, one assistant, and then an AO officer who provides administrative support, given the volume of work just in progressing the schemes as they are, it would be very difficult to understand how they could actually undertake such a role.

**Mrs Christian:** Thank you.

**The Chairman:** Mr Quirk.

**Mr Quirk:** Can I ask, Mr Kniveton... You said earlier that the Statutory Board, or the MEA itself, has lay members. Was there any concern from any of the lay members expressed to yourself?

**Mr Kniveton:** No.

**Mr Quirk:** None at all?

**Mr Kniveton:** No. I did raise my concerns with one of them. There were no political Members at the time, so the board was exclusively non-political in its make-up. I did –

**Mr Quirk:** Was that a weakness?

**Mr Kniveton:** I do not think that is for me to say.

I raised the concerns arising from the 2002-03 accounts with one of the board members, who made enquiries and gave me a view that my concerns were unfounded.

**Mr Butt:** Just while we are talking about the information that you received, or did not receive, could I refer to a series of e-mails, which are dated 17th September 2003, to which you were copied in. They are from Alan Teare to Ian Thompson. There is a comment in the e-mails where Alan Teare says that he has raised the issue with Mr Proffitt about the lack of financial content and lack of reports. He makes a comment:

‘When pressed about why the information is available now, when not in the previous reports, he’

– Mr Proffitt –

‘admitted that it was he that had stopped the monthly reports containing any financial advice, and that the MEA would not provide monthly financial reports to Treasury on any capital scheme while he was Chief Executive.’

You were copied in to that e-mail. Do you recall that?

**Mr Kniveton:** Yes.

**Mr Butt:** That perhaps explains why you were not getting information. Could I just ask you to comment on what did you do about that, when you found out that this was the attitude that was being expressed here, that you were not going to be supplied with information?

**Mr Kniveton:** This was an issue that was already known and was the subject of ongoing discussion involving the Attorney General as to the applicability of various regulations in relation to Statutory Boards. This was – sorry – in September 2003?

**Mr Butt:** Yes.

**Mr Kniveton:** At the time, from an officer level, our method of working was to try and maintain relationships with the MEA and to carry on trying to negotiate with them in order to extract what information we could, being aware that there were other moves being made legally to establish the control that the Treasury actually had.

As officers, we were not in a position to insist to Mr Proffitt, or anybody else at the MEA, that this information should be forthcoming, but it was known at the Treasury and at the DTI that Mr Proffitt’s view was that he should not be having to provide this information and that *he* was managing these projects and not the Treasury, and therefore there was no need for him to divulge this information.

**Mr Butt:** So how widespread was that knowledge; that it got through to the Minister, to the Council of Ministers?

**Mr Kniveton:** I am not aware how widespread it was.

**Mr Butt:** Certainly the Attorney General.

**Mr Kniveton:** I know that the Attorney General had been involved in correspondence with the previous Chief Financial Officer, Mrs Williams.

**Mr Butt:** Thanks.

**The Chairman:** Just turning to a report you produced for Treasury on 17th November 2003, where... It was to the Minister and Members of the Treasury, a paper from yourself, saying that the Capital Projects Unit was seeking Treasury support in its efforts to obtain from the MEA a comparison between the original cost estimate of this scheme and the final turnout costs, together with arrangements for a stage 10 post-completion review. This was with the commissioning of the new Pulrose Power Station, and notwithstanding that the MEA was not engaged with Treasury in stage 10 reviews, or any other review, because they were not complying with financial regulations, you, in your paper, were inviting Treasury to seek from the MEA confirmation of the arrangements for a stage 10 post-completion review of the project to be carried out at the appropriate time.

Did Treasury accept that recommendation, and was that review carried out?

**Mr Kniveton:** My understanding, which I believe is correct, is that paper was not actually presented to the Treasury. It was decided at the time not to present it to the

Treasury because it was unclear at the time as to what time a stage 10 review would be possible.

The job itself, the power station project, was not actually finished at that time because stage 10 reviews do not get undertaken until such time as the defect period in relation to the commissioning of the equipment has elapsed. The issues relating to the defects at the power station were actually still ongoing throughout 2004, so again it was not appropriate to commence a stage 10 review.

**The Chairman:** So were the MEA ever asked to engage to have a stage 10 review carried out?

**Mr Kniveton:** By the time... After November 2004, when of course all sorts of things started to happen, including the PKF review of the power station contract, I think it was decided that a stage 10 review really would serve little purpose at that time.

**The Chairman:** By that stage, yes.

In February 2004... We talked about this report you made to Treasury on the 2002-03 accounts. One of your recommendations was that:

'The matter of the Treasury's legislative powers in respect of the MEA be defined, and that, should they prove inadequate, steps are taken to ensure they are increased to an appropriate level.'

What was Treasury's response to that?

**Mr Kniveton:** The Members noted the report and arranged for a meeting to take place between the Treasury Minister and the Chairman of the MEA, and that meeting took place in March, the following month.

**The Chairman:** And was the outcome a decision to increase the powers, utilising the Treasury Act?

**Mr Kniveton:** The meeting took place between the Treasury Minister and Mr McCallion; there were no other officers or members present when that meeting took place. I was not instructed to take any further actions after that meeting took place.

**The Chairman:** Thank you.

Just turning to an e-mail, 4th October 2004, to yourself from Alan Teare, this arose out of the DTI-MEA liaison meeting that had been held the previous day. What action did you take after you were asked to seek a ruling from the Council of Ministers regarding the MEA having to provide information to Treasury?

**Mr Kniveton:** In October 2004, the Treasury was very much involved in assessing proposals by the MEA to light the fibre optic cable and we were endeavouring to assess a business proposal that had been put forward originally as part of what was called their Vision 2010 document.

The Treasury felt that, in order to get an expert opinion on this project and the request to give its approval, it needed to bring in the services of an external consultant and a firm called GOS Consulting – who had previously done work for the Communications Commission – were brought in to assess the MEA's proposals, to interview the appropriate personnel at the MEA and to provide the Treasury with some

guidance as to the viability of the plans that were being put forward. They were appointed at the beginning of October 2004 and were just embarking upon their information search. Therefore, it did not seem appropriate at this time to be seeking to bring in further pressure on the MEA, because the MEA was very keen that the Treasury gave its consent to this plan and, indeed, was getting quite impatient that it was taking so long to reach a conclusion.

I think these proposals had first been put forward to the DTI round about June 2004. The firm was able to interview personnel at the MEA and did produce a report – this is their final report that is dated December 2004 – and it does, again, refer to the fact that they were not able to receive sufficient data from the MEA in order to reach a conclusion. However, it did say that there was some merit in the proposals; there was some concern with regard to the figures that had changed significantly from the original proposals and that they would need to do more work in order to establish whether or not this particular project was viable or not.

So, there was a lot of work still going on at that time and, indeed, it was that work that prompted a request to the MEA for its draft accounts for the year ending 2003-04, because it was necessary to understand just where the MEA stood from a cash flow point of view. It was in response to that request that I received the draft accounts on the afternoon of 5th November 2004.

**The Chairman:** Legal advice was being taken at that time about the powers of direction by Treasury to receive financial information. What action did you take in the light of that advice?

**Mr Kniveton:** Well, as you say, I was not involved in the discussions with the Attorney General on the Treasury powers at that time. In Finance Division we were still trying to simply work with the MEA to bring about the conclusion of their request to light the fibre optic cables which, at the time, there was a lot of actual political pressure because, I think, politically it was deemed, having received presentations from the MEA, that the politicians did actually want to move this forward and for the Treasury to get on with reaching a decision on it. So, we did not want to delay that issue any more than was necessary.

**The Chairman:** Okay. I fear we have reached the end of our allotted time, but I want to give my colleagues opportunity for final questions. Mr Butt?

**Mr Butt:** Yes, a couple of questions, Mr Kniveton. The draft accounts in November 2004: were they later than they should have been? Was there a delay in their submission?

**Mr Kniveton:** No, actually, I think, probably earlier than the ones that we had received the previous year.

The accounts: there are several questions on the list regarding this. It was in response to that request for information relating to the business case for the fibre optic cable that I requested the 2003-04 accounts. I took them home that evening – it was a Friday afternoon when I received them – and started to read through them. That is when I became aware of a number of issues that I felt would create concerns for the Treasury and, obviously, in particular, the appearance of a loan of finance of £85 million in those accounts.

There were a number of other issues in those accounts which I detailed in the paper that you referred to earlier, Mr Speaker, on the activities: the ongoing capitalisation of bond interest; the capitalisation of telecoms assets of almost £1.5 million, which included £0.5 million of income which was purported to be payable by the DTI to the MEA, but I was under the impression – certainly from the DTI's point of view – that they did not think they owed the MEA anything, so there was an issue to resolve there; we also had this performance bond proceeds, which had been included in revenue as turnover, which I felt should have been stripped out because it was not actually revenue at all; the statement that the MEA had entered into a guarantee in respect of the borrowings that had been entered into by the Manx Cable Company, which was the company established to own the interconnector; and, finally, at that stage, it became apparent that the amount of capital expenditure that was being incurred was unlikely to be able to be financed by the proceeds of the bond issue.

Having studied that over the weekend, on the Monday I informed the Chief Financial Officer and the Treasury Minister and obviously things started to happen after that.

**Mr Butt:** Can I go back. For me the fundamental question is, over a two or three year period, we have plenty of documents here which show your concerns about the lack of financial reporting; the concerns of Mr McGreal, Mr Thompson, Mr Teare: serious concerns about lack of information. I suppose the question is: were any alarm bells ringing at that stage – and they appear to have been? What support or instruction did you get from your political people above you when you were trying to actually get across to them, we have problems here? What happened at that level?

**Mr Kniveton:** The paper that was provided to the Treasury on the 2002-03 accounts, I think gave a pretty fair reflection of concerns that were felt to be valid –

**Mr Butt:** This is February 2004?

**Mr Kniveton:** Yes.

It was, I think, perhaps, surprising that nothing further emanated as a result of that meeting between the Treasury Minister and the Chairman. Obviously, I was not at the meeting so I cannot speculate. All I was aware of was that the Chairman of the MEA was able to convince the Treasury Minister that the concerns that had been raised were unfounded.

That also was the situation when I raised the issues directly with one of the board members, who also felt that the concerns were unfounded. So, as I, obviously, was not working at the MEA and did not have that detailed a knowledge of what was happening on a day to day basis, I had to conclude that, perhaps, my concerns were unfounded.

**Mr Butt:** Okay. Thank you.

**The Chairman:** Mrs Christian.

**Mrs Christian:** Can I ask, at this point, you had the draft accounts, you had all those concerns raised. Did you have any

information from the MEA at all about the business planning which would cover the issues that were concerning you?

**Mr Kniveton:** Well, the MEA's general response was that when the capital schemes were completed, a combination of increased revenues from trading electricity via the cable and reduced costs arising from the more efficient generation of electricity would effectively balance the books and take care of the additional loan charges and depreciation charges and so on. So, they felt, obviously, confident that whilst there would be a loss for one or possibly two years, then they would return to profitability very quickly after that.

**Mrs Christian:** Did you have any opportunity to analyse figures which would have backed up that sort of business plan and thinking?

**Mr Kniveton:** We were – not being an expert in electricity generation or, indeed, trading electricity – it was very difficult to really look at the future budgets and assess whether or not they would be viable or not. It was the view of the board that they were and they were appointed to run the affairs of the MEA.

Certainly, on the basis of having asked specific questions and had those concerns addressed, I did not really feel that I could take the matter any further, from my point of view.

**Mrs Christian:** You were involved with the GOS Consulting analysis to, presumably, formulate a view on some specific aspects of that plan and that had not concluded at the point when you –?

**Mr Kniveton:** No, but it was ongoing. I think from the earlier draft of this report that appeared during the period in question: November 2004, I think that the concerns – I presume you have a copy of the GOS report. In it there are concerns that revenue expectations may be optimistic and expenditure may be understated, which would appear to be the situation that arose with the MEA's core business because, again, income was not going up as quickly as they had projected and, certainly, expenditure was not going down in the way that they expected.

**The Chairman:** Just a final question from me.

You made reference in your opening statement to former board members asserting that Treasury either knew about the loans or ought to have known about them. One specific assertion is that, from discussions at the MEA board meetings, the Treasury were both aware that the £185 million could well be insufficient and that the bond would need to be tapped further. In any event, the Treasury were well aware that the borrowing of the group exceeded the £185 million bond and the £20 million external borrowing figure in an April 1989 letter. This would have been apparent from the quarterly meetings between the MEA's executive and the Treasury, as well as the financial returns. What would be your verdict on that claim?

**Mr Kniveton:** Throughout this process, from November 2004 onwards, the MEA and various personnel from the MEA have made assertions with regard to either the 'Treasury did know what was happening', or then the 'Treasury did not need to know what was happening because we did not need to tell you'. We have asked time and time again, as have

KPMG, as have PKF, for any documentation that would substantiate the view that the Treasury was made aware of what was happening. To date, I have not seen any document that can make that assertion. If there is one, then I would be very interested to see it.

As I said in my opening statement, I can say categorically, as the Head of the Finance Division of the Treasury, that I do not understand how the MEA could have borrowed money in the way it did without myself or the Chief Financial Officer being made aware of that situation – and we were not aware of that situation.

We then have a situation whereby it is alleged that: ‘Well, you could have deduced from the financial information that you had that the MEA was borrowing more money.’ Well, that is a completely different issue, to start with. Again, we have not had any evidence presented that the Treasury was able to make that deduction. Indeed, all the information that we have to hand indicates that that could not have been deduced from the information that we had available.

**The Chairman:** Okay. Well, thank you very much, Mr Kniveton. That concludes the Committee’s questions this morning. I would like to thank you for your assistance to the Committee. Your input has been very helpful.

There will be further evidence sessions, in due course, with further witnesses and those sessions may raise further issues for clarification, in which case it may be necessary to contact you again, Mr Kniveton, for further information or recall you for further evidence to be given. Thank you very much.

*Mr Cashen was called at 12.15 p.m.*

#### Administration of the Oath

**The Chairman:** Can I now call forward our next witness, Mr Cashen.

Thank you, Mr Cashen. Please step forward and I ask the Clerk to invite you to take the Solemn Oath.

**The Clerk:** Are you happy to take the Oath?

**Mr Cashen:** Yes.

*Mr Cashen took the Bible in his right hand and repeated the Oath.*

**Mr Cashen:** I swear by Almighty God that the evidence I shall give to the Committee at this and any further hearing shall be the truth, the whole truth and nothing but the truth, so help me God.

#### EVIDENCE OF MR J A CASHEN

**The Chairman:** Thank you very much. Could I ask you to commence, Mr Cashen, by stating your name and your role and responsibilities in Treasury at the relevant period.

**Mr Cashen:** Thank you, Mr Speaker.

My name is John Alfred Cashen. I am a Chartered Public Finance Accountant. I worked in the Treasury from December 1969 until August 2001. In May 1991 I was appointed Chief Financial Officer and I was due to retire in May 2001 but was requested to stay on for a further three months.

Being the Chief Financial Officer and Chief Executive of the Treasury, I had responsibility for over 300 members of staff and all aspects of the Treasury, including economic policy, budgeting, Customs and Excise, Income Tax and such like. One of the divisions that fell under my responsibility was the Finance Division, which was primarily responsible for liaising with the Manx Electricity Authority with regard to these events.

**The Chairman:** I would like to give you the opportunity to make an opening statement to the Committee before we put any specific questions to you. So, please feel free to address us at this stage.

**Mr Cashen:** Yes. Thank you, Mr Speaker.

Probably some historical information which the Committee may already be aware of, but I think it is probably worth repeating: sometime between 1992 and 1996 – and I think it was closer to 1996 than 1992 – the Council of Ministers gave the Department of Trade and Industry responsibility for energy policy and for the general supervision of the three commercial Statutory Boards, which is the Manx Electricity Authority, the Water Authority and the Post Office. Now, those commercial Statutory Boards each had a measure of independence which Mr Kniveton has already explained to you. They did not report or operate in quite the same way as Departments of Government.

Following the 1996 General Election, the new Department of Trade and Industry Minister recommended to the Council of Ministers an almost completely new MEA board, which resulted in little continuity as only one previous board member remained. There was no representation on the new board from Tynwald and, as a result, the board had even more independence than hitherto. Between 1997 and 2000, the existing board member from the previous regime died and was replaced. The MEA’s Chief Executive retired and the MEA’s Chief Accountant were all replaced so that, in a relatively short period, there was all new personnel at the Manx Electricity Authority. Now, that was not unusual because we know, subsequently, there was a major change of personnel at the Treasury, as well, in 2001.

Round about that time, the MEA started referring to itself as ‘the company’ or ‘our company’ which, quite clearly, it was not. It did not operate under the Companies Act at all. It was a Statutory Board of Tynwald and, as such, was governed by the Statutory Boards Act and by the Electricity Act. So, this was part of the MEA demonstrating that it did not believe that it was part of Government. One of the new board members appointed at the beginning of 1997 was Mr Proffitt and he subsequently became the Chief Executive Officer of the MEA. Up to that time, as far as I am aware, all Chief Executive Officers of the MEA had electrical engineering experience. They were qualified electrical engineers. Mr Proffitt, I do not believe he had such experience. He had apparently operated successful hotel businesses in the United States of America. So that appeared to me to be somewhat unusual.

Because the Department of Trade and Industry had been

given the responsibility for energy policy, in conjunction with the MEA, the DTI and the MEA had embarked, via the Manx Cable Company, which had been established... on the installation of a cable link between the Isle of Man and the United Kingdom; they were investigating the Irish Sea Gas Pipeline, again – although, it had previously been considered in the early 1990s and rejected – and they let it be known that there was substantial investment required in a new gas-powered power station if they brought the gas ashore from the pipeline. Such a capital programme, I do not think had been envisaged in 1995 after the completion of the Peel Power Station. I am not aware that there were any major schemes envisaged in the capital programme for the MEA beyond 1995.

Borrowings for the MEA were always approved by Tynwald and usually in the annual Budget. The MEA was able to finance some of its capital expenditure itself but, if there were any large schemes that they could not finance, then borrowing was required and such borrowing was authorised annually at Budget time. But, in preparing Government's 2001 Budget, the MEA was required to provide details of its proposed capital programme which envisaged all those issues that I have previously alluded to. They were only able to provide the Treasury with vague indications of cost and, as a result, we were only able to include few figures in the 2001 Budget. I think a sum of about £25.5 million was included for the gas-powered power station.

The 2001 Budget was approved by Tynwald in February but there were no sanctions given to the MEA. The proposal was that they proceed with their capital programme relatively quickly. Now, when it comes to capital schemes, we were all used to fairly lengthy gestation periods, especially with regard to things like the hospital and the Energy-from-Waste Plant and other major schemes. But, at this point, the Department of Trade and Industry Minister kept advising the Council of Ministers that the position was serious and something must be done and done quickly. The Treasury continued to press the MEA for realistic figures and, as a result, the MEA engaged Deloitte and Touche, Chartered Accountants, to assist in this exercise. In the spring of 2001, the MEA's programme was firmed up and, again, the Department of Trade and Industry Minister advised CoMin that, unless a new power station was operational by the winter of 2003, the lights would go out. Now, you, sir, and Mrs Christian were both Members of Council of Ministers at that time and I hope you are in a position to confirm that statement.

That statement was never tested. In fact, it seems strange to me that the lights would go out, bearing in mind that there was now a cable link between the Isle of Man and the United Kingdom. But the threat of the lights going out was, politically, a totally unacceptable situation because it would have had serious effects on the economy and on all aspects of local life. So, the MEA's capital programme then became one of the highest political priority.

Now, in order to be operational by the winter of 2003, Government was told that it was vital for work to commence by the middle, or the second half of, 2001. However, the Treasury still did not have firm figures relating to the total programme which included bringing the gas ashore, piping it to Douglas: the new power station, and a proposed wind farm was to be included, as well. Getting information from the MEA was difficult and, because the Treasury in 1999 had successfully arranged a bond for the Water Authority, it

was suggested – and I cannot recall by whom at the moment – that the Treasury arrange to borrow the money because it could do so at a more preferential interest rate than the MEA. So, a sum of £185 million was eventually agreed. That was the sum that was identified to cover all these schemes, and identified by Deloitte and Touche. That was the advice they gave the MEA for the total capital programme. Deloitte and Touche, of course, did have a rider that all their information that they had prepared was on the basis of details provided to them by the MEA.

Now, I have already mentioned that, in the normal course of events, approval for the Treasury to borrow would have been given in the February Budget, but now Tynwald's approval was needed by July 2001 at the latest, because the summer recess was coming up. There would only be one further sitting of Tynwald in October before a General Election taking place in November 2001. So there was, effectively, a six month period pending when there would be little Government business transacted. So, July 2001 was the date that we all had to work to.

This programme: it was a huge project and the MEA appeared either reluctant, or unable, or unwilling, or maybe all, to provide my Finance Division and the Capital Projects Unit in particular with full and complete details, as required and set out in the capital procedure notes contained within financial regulations. A meeting had been held to address this issue in April 2001 and the Capital Projects Co-ordinator in the Treasury had, in fact, been liaising with MEA officials from 1999 to get them to commit to the capital procedure notes but had met with little success.

Because the MEA wanted the Treasury's co-operation in raising the £185 million, I doubt if the limited information that we did eventually receive would have been delivered at all. But the problem was the MEA had reduced the tariff substantially. When I say the MEA: the board members of the MEA, on the recommendation of the Chief Executive, had reduced the board tariff substantially after the cable installation and, as a result, they were all held in high regard in the eyes of many, including several politicians, and the MEA personnel could do no wrong.

Tynwald approved the borrowing. There was Treasury concurrence given to the £185 million borrowing on 20th June 2001. At that time, the Treasury was, again, advised that the compliance with capital procedure notes was not forthcoming and, in notifying the MEA of the approval to the loan, they were also advised that there had been this lack of co-operation with regard to capital procedure notes.

The money was eventually raised in August 2001 and, in fact, it was just a few days prior to my retirement.

That is all I have to say.

**The Chairman:** Thank you, Mr Cashen.

Could I begin just by taking you to the 1998 period. We understand Treasury approved external borrowing by the MEA of up to £20 million. Why did Treasury give that approval?

**Mr Cashen:** Treasury had no authority to give any approval to borrowing. That was purely the remit of Tynwald. It is only Tynwald that can approve borrowing.

If the Treasury gave any such approval, it would be a recommendation to Tynwald that the MEA be authorised to borrow. There might have been £20 million included in the

Budget in the capital programme for 1998: I cannot recall it, but it is only Tynwald that can give borrowing approval.

**The Chairman:** Okay, thank you. Are you aware of what that Tynwald approved expenditure was for?

**Mr Cashen:** It is 10 years ago now, sir. I would have to ask former colleagues in the Treasury to investigate that.

**The Chairman:** Were you aware of a £36 million loan taken out by the Manx Cable Company in December 1999 and are you aware whether Treasury approval was required for that loan and whether it was given?

**Mr Cashen:** Well, Mr Speaker, following receipt of these questions from you, I asked former Treasury colleagues to investigate that issue for me and I was advised yesterday that the Treasury minutes have been researched and there is no record of approval being given to a loan of £36 million.

The Manx Cable Company, of course, was a private company and they could borrow from whomever they wished. In such circumstances specific approval was not needed because they operated under the Companies Acts.

**The Chairman:** Indeed, so no formal Treasury consent would have been required, anyway –

**Mr Cashen:** No. I was subsequently aware that the Manx Cable Company had a loan. I was not aware it was £36 million until I saw this note from you, sir.

**The Chairman:** Thank you.

Turning to the question of the interest-only bond, can I ask you how was it envisaged that the bond would be eventually repaid? We have got a note of a liaison meeting between the DTI and the Manx Electricity Authority in which it was reported that Deloitte and Touche – I am just quoting from this report:

‘Deloitte and Touche has presented a report regarding funding and this has been considered by John Cashen. Mike Proffitt reported that John Cashen agreed with the preferred approach to have an interest-only bond for 30 years. This would be structured by the MEA and progressed by Treasury. Mike Proffitt will invite a Treasury representative to be part of the procurement team.’

We understand that latter did not happen. So this bears out what you said in your opening statement about that preferred approach. Can we ask why a sinking fund similar to that of the Water Authority was not set up as the preferred model?

**Mr Cashen:** Well, Mr Speaker, with regard to the Water Authority’s loan, it was the Water Authority that set up the sinking fund. If a sinking fund was to be set up, that would be the responsibility of the MEA, so I have to say, sir, that is a question best asked of them.

**The Chairman:** It was stated that you had agreed with the ‘preferred approach’ to have an interest-only fund.

**Mr Cashen:** An interest-only bond.

**The Chairman:** An interest-only bond.

**Mr Cashen:** That was not my preferred method. The

minutes say that ‘Mr Proffitt reported that John Cashen had agreed with the preferred approach’. It was *his* preferred approach.

His preferred approach was an interest-only bond and at the end of the 30 year period – or I think it was 33 years in the end – to repay the bond from the issue of a new bond.

**The Chairman:** So what was Treasury’s view about this approach?

**Mr Cashen:** Well, it was most unusual. It was not the way that we would do things at all but, in these circumstances, the Treasury was merely the facilitator.

The Treasury had agreed to issue the bond so that the MEA would benefit from a lower interest rate. So the Treasury was the facilitator, raised the money and passed it on to the MEA.

**The Chairman:** Mrs Christian.

**Mrs Christian:** Can I just ask a point on that? If the MEA had decided to go and raise the money themselves and not do it through Treasury, Treasury would have had to concur with the borrowing –

**Mr Cashen:** Yes, they could still have required Tynwald’s authority to borrow.

**Mrs Christian:** Yes. Would you have had any influence? Presumably not, as you did not have any influence in respect of the borrowing, which was made through Government on the structure, whether or not it was an interest-only bond or not: that was a matter to be determined by the MEA alone?

**Mr Cashen:** The MEA – all three commercial Statutory Boards – had this measure of independence and, in some circumstances, as I have already said, they were able to finance some capital issues themselves. This one, because of the size of it, they were not able to. But Tynwald’s approval was always required for any borrowing at all.

**Mrs Christian:** Thank you.

**The Chairman:** Mr Butt.

**Mr Butt:** Thank you.

Can I ask, in relation to the bond, a couple of questions. The Deloitte Touche report, I think you mentioned it and Mr Kniveton did earlier, that Deloitte Touche in effect said that the information they provided as to how to structure the bond was based on information given to them by the MEA and not by their own research. How comfortable would you be with that, as a senior person in Treasury, as to progressing a bond on that basis?

**Mr Cashen:** Well, I think in all cases where consultants are involved, their ultimate report is only as good as the information they get. I cannot recall Deloitte and Touche ever coming to the Treasury to ask for any information or any details. They got all their details from the MEA personnel and maybe elsewhere but they certainly did not come to me.

**Mr Butt:** How much detail, then, did you have in

Treasury, and your Minister, as to the actual breakdown of how the bond was to be broken down? Was it just the basic figures of –

**Mr Cashen:** No, we had details of the power station –

**Mr Butt:** Lump sums?

**Mr Cashen:** Yes, the power station, £80 million; the cross-Island pipeline, £20 million.

**Mr Butt:** No more details than just those lump sums –

**Mr Cashen:** Only half a dozen main headings, yes.

**Mr Butt:** Right. And you have also referred to the Treasury minutes of 20th June 2001, where it gave approval for the bond to be progressed –

**Mr Cashen:** Yes.

**Mr Butt:** – but on the same meeting there was also a note, which I presume these Treasury minutes go to the Minister and go through to the –

**Mr Cashen:** Well, the Minister would be there, I think, sir.

**Mr Butt:** He would be there, yes.

There are three points made just prior to the approval: that capital procedures had not been followed at any stage during the pre-tender, tender and evaluation process; and that, following persistent requests for information and assurances that best practice, due diligence and protocols had been followed, the MEA had been unable or reluctant to fulfil the requirement; and that the CPU, Capital Projects, had not endorsed the appointment of the consultants employed on the scheme, nor had the MEA presented adequate supporting documentation to meet minimum standards of an audit trail. How comfortable were you with that, on the same day that approval was given to take out that £185 million bond, knowing those procedures had not been followed?

**Mr Cashen:** I was not the least bit comfortable with it, sir.

I mean, the whole purpose of having capital procedure notes and having financial regulations was to ensure that there was some form of discipline within Government but, in this particular case, time was running out. Approval had to be given, the money had to be raised, work had to be commenced, it had to be finished by the winter of 2003, otherwise ‘the lights would go out’ – so I was not at all comfortable with it.

**Mr Butt:** Thank you. This is from the DTI Minister at the time... give you that information via the MEA.

**Mr Cashen:** Yes.

**Mr Butt:** Who was that? Who was the DTI Minister at that stage?

**Mr Cashen:** Mr North.

**Mr Butt:** Okay, thank you.

**The Chairman:** Mr Quirk, anything at this stage?

**Mr Quirk:** No, nothing.

**The Chairman:** Thank you.

In your paper you report to Treasury – in July 2001 – you make reference to review and scrutiny by officers of the process undertaken. Can I just ask you, in respect of the bond – the £185 million bond – can I just ask you what review and scrutiny did take place from which the conclusion was reached that there was due diligence afforded to the exercise and that a robust and equitable decision had been reached and Government could have confidence in the process itself?

**Mr Cashen:** Yes, when it came to the bond issue, one of the members of the staff of Finance Division, an accountant, Mr Townes, was involved with the officers of the MEA in dealing with those who had tendered to be the book runners for the bond. So there was a Treasury officer involved in that from the outset, right to the end: that was Mr Townes.

**The Chairman:** Yes. So your reference to the due diligence points to the exercise, the exercise being that of raising the bond: it was the bond itself predicated on a figure of £185 million, which was information supplied by the MEA. Yes.

**Mr Cashen:** But the process of raising the bond and having the bank with which we were involved... all that had been dealt with by a small group of people consisting, I think, of Mr Proffitt, Mr Wilcox, who is the accountant at the MEA, Mr Townes from the Treasury – I think there was one other – there was certainly Mr Townes was involved in it.

**The Chairman:** As part of that agreement to the bond issue that you have just described, the work of officers and the involvement of Mr Townes was obviously very important and you reported that Treasury officers had worked closely with the MEA to develop its strategy and progress its plans in this direction, that being the bond issue –

**Mr Cashen:** Yes.

**The Chairman:** Were those officers given sufficient information to allow them to evaluate various capital projects which were to be financed by the bond and were those officers content with the MEA’s ability to finance the debt?

**Mr Cashen:** As I have previously mentioned, Mr Speaker, it was extremely difficult to get the detailed information relating to the programme from the MEA. I mean, from the Treasury’s point of view, we wanted to see the whole picture of what was their total programme and what was their total expenditure. Getting that information, as I have said, was difficult and I do not think the MEA really knew themselves what it was that they wanted to achieve ultimately and what those figures would be for themselves.

So getting that information was difficult. With the help of Deloitte and Touche, the information was eventually provided and the MEA and Deloitte and Touche costed it at £185 million and that was the figure that was ultimately agreed.

With regard to were the officers content with the MEA's ability to finance the debt – well, here we had an organisation with a turnover of £30 million borrowing £185 million, which the interest charges alone were about £9 million. They were going to need to increase their turnover substantially and the information we were given by the MEA was that they were going to make millions from trading via the cable, buying and selling electricity via the cable and they were also looking to the future with the involvement in telecommunications.

Now, there is one piece of information which I think is on your file, Mr Speaker, which indicates that the income from exporting – which was trading via the cable – was going to rise to about £10.7 million by 2005 and other ancillary services involved with the cable, which presumably relate to lighting the cable, another £2,050,000. So there was significant additional income suggested by the MEA which would flow, which would enable them to finance the debt.

**The Chairman:** Was that information presented to you in the form of a formal business plan or was it simply supporting information?

**Mr Cashen:** I think it was just supporting information at the time.

**The Chairman:** Had capital procedures been adhered to and financial regulations, would you have expected that to give you the information and the confidence to this particular project?

**Mr Cashen:** If this whole programme had been dealt with as other Departments deal with their capital programmes, I would have expected much more information.

**The Chairman:** Yes. So the fact of the matter is, they were not complying with financial regulations, giving you the formalised information that you would normally expect, like other Departments and Boards, so the bond was effectively recommended by Treasury for approval and Tynwald gave its approval on the basis of incomplete financial information?

**Mr Cashen:** It was the best information that anybody had at the time.

**The Chairman:** Yes. Would you have expected the involvement of Deloitte and Touche, who verified the issue of the bond and they were brought in...? Was their role simply to advise on the procurement of the funds or was their role to verify the sums identified and the elements of the project and to test the business case?

**Mr Cashen:** At this particular stage, Mr Speaker, I am not able to confirm what their particular remit was. I really cannot recall it.

**The Chairman:** Okay. Are you aware whether any finder's fee in respect of the bond was paid by Barclays to Mr Proffitt?

**Mr Cashen:** I am not aware of any such suggestion.

**The Chairman:** Okay. Clearly, you were not satisfied with the amount of financial information being provided by

the MEA to Treasury in compliance with capital procedures. What action did you take or would you have liked to have taken?

**Mr Cashen:** Financial regulations – or the capital procedure notes which are part of financial regulations – were substantially revised in 1998, I think, and the new capital procedure notes came into effect in January 1999. Because they were new and because, within the Treasury, we wanted all Departments and all Government agencies to operate to a uniform standard with regard to capital schemes, the capital project co-ordinator ran training sessions to which those involved in capital projects in Departments were invited.

As I have previously said, there was some difficulty in persuading the MEA to be involved in that but, nevertheless, we encouraged them to continue to talk. By the time July 2001 had come along, they still had not adhered to the procedures laid down in the capital procedure notes, they had gone ahead with the appointment of their own design teams and consultants, relating to the power station. They did not consult over those appointments, as far as I am aware, with the capital projects co-ordinator, although they might very well, in appointing those people, have adhered to the general principles that were laid down in the capital procedure notes.

However, the capital procedure notes are flexible because, within Government there are so many different capital schemes. What is appropriate for the new hospital may not be appropriate for the Energy-from-Waste Plant or the power station and I think there is a paragraph within the capital procedure notes that says there is provision for variation and discussion and negotiation: you know, the Treasury was not the expert on everything. If someone else had a better way of doing things, then tell us about it and we could get on with it. But it got to the stage where, after discussing with the MEA for 18 months and a request going to Tynwald to approve the borrowing, the capital procedure notes had not been adhered to and this was pointed out to the MEA and recommended to them that they pull their socks up.

**The Chairman:** And by not complying with the rigours of capital procedure notes and financial regulations, there was no real way of knowing whether the £185 million would be sufficient for this project? It had not been sufficiently tested, had it?

**Mr Cashen:** Well, it was – I mean that was after my retirement as to how it was spent, but I believe that if the capital procedure notes had been operated as they were intended to operate, the Treasury would have had better knowledge.

**The Chairman:** Yes, and therefore the figures that were supplied, you were in the position of having to take them at face value and on trust, essentially: would that be right?

**Mr Cashen:** The estimate?

**The Chairman:** The estimate, yes.

**Mr Cashen:** Well, they – I mean they were supplied and also there was the confirmation from Deloitte and Touche. After all, they are one of the world's largest accountancy

businesses, although they did have this disclaimer, that the information that they provided was on the basis of details given to them by the MEA.

**The Chairman:** Yes, and as you said earlier you have no knowledge how, to the extent to which they tested the information they were presented with and verified... whether the business case stacked up: no. So, in fact, in Tynwald in 2001 when the Treasury Minister said that this would be the limit of the borrowing, that was not known for sure because the procedures had, for whatever reason, not been rigorously utilised, had they?

**Mr Cashen:** In any capital scheme, Mr Speaker, there is an element of risk and there might be overspending and there might be underspending.

Where there are cases of overspending it is normally of the region of 2 or 3 per cent, it might even be 5 per cent. In fact, I recall one capital scheme that was 30 per cent overspent and, as a result, there was a huge investigation and the reasons for that were ascertained – but this one was, apparently, nearly 70 per cent overspent! I mean, that just does not happen. (**The Chairman:** Yes.)

Although the £185 million was the best figure that was available at that time, it was never envisaged that it would be short by £120 million.

**The Chairman:** So, at the time it was envisaged that it would be sufficient?

**Mr Cashen:** Oh yes, it certainly was.

**The Chairman:** And it was only later that it became clear that it was far from sufficient. So it has been asserted by former members of the MEA board that when the bond was being raised that Treasury was aware that it may not be sufficient –

**Mr Cashen:** No.

**The Chairman:** – and so the question is: did the MEA make clear at any time that the £185 million might have been insufficient?

**Mr Cashen:** No, never.

**The Chairman:** Never. Did they indicate that it might become subsequently necessary to tap the bond to raise additional finance?

**Mr Cashen:** The matter of tapping the bond to raise additional finance was raised by a potential investor in the City of London when Mr Proffitt and I went to sell the bond, as it were, in July 2001. One person raised that question: if you are overspent, will the bond be tapped? It was a sort of throwaway question and I gave a throwaway answer which indicated that, yes, it would, but what I had in mind was if the £185 million was overspent by 2 or 3 per cent then it would be necessary.

I mean, it might have been overspent by £5 million. This was a huge project: it could easily have been overspent by £5 million. I never envisaged at that time it would be £120 million. That was quite out of the question.

**The Chairman:** Can I ask what involvement Treasury had with previous capital projects of the MEA, such as the Peel Power Station?

**Mr Cashen:** Well, the Peel Power Station, Mr Speaker, must go back to about 1993 or 1994, I think. In those days Mr Kewley was the Chief Executive of the MEA and then we had considerable co-operation and discipline with MEA personnel and I am fairly confident that, at that time, the Peel Power Station was built in accordance with the capital procedure notes that were in place at that time, but they were not as comprehensive in that period as they were in 2001.

As I said before, new capital procedure notes were drafted in 1998 and came into operation at the beginning of 1999.

**The Chairman:** That is fine. So –

**Mr Cashen:** We did not have any problems previously.

**The Chairman:** Yes, so the MEA previously had engaged with Treasury in the same way as other Statutory Boards or Departments.

**Mr Cashen:** Indeed, sir, yes.

**The Chairman:** Can I ask colleagues? Mr Quirk.

**Mr Quirk:** Can I just ask regarding the DTI: did that, the involvement of the DTI as the overseer, give you a lot of comfort?

**Mr Cashen:** Well, the DTI's responsibility was one essentially of supervision of the MEA and liaison with the MEA.

Although the DTI had the responsibility for energy policy, I cannot recall there being any officials in the DTI that had detailed knowledge and experience of such issues.

**Mr Quirk:** Can I just ask, Mr Speaker, were you under any political direction to deliver? Were there any pressures from either –

**Mr Cashen:** This was of the highest political importance.

**Mr Quirk:** Was that from the political Members itself that said we must deliver this?

**Mr Cashen:** Yes. The question of 'the lights going out' in 2003 was just completely unacceptable. This was a project that had to be delivered.

**The Chairman:** From the emphasis you have given to that, what you are saying is, essentially, that it was so important that, at all costs, it had to be delivered. Would that, potentially, mean at the expense of riding roughshod over capital procedures or accepting that a stubborn MEA who did not want to engage in capital procedures, well, that would have to be alright because the political imperative was to get this thing built before the lights went out?

**Mr Cashen:** Well, that is how it developed. It was

unfortunate that that happened but there was not the time to do it. There were time pressures, there were political pressures. In fact, I can only recall one Member of the Council of Ministers who expressed concern and caution over the whole programme.

**The Chairman:** Which Council of Ministers' Member was that?

**Mr Cashen:** That was Mr Gilbey, if my recollection is correct.

**The Chairman:** Mr Gilbey. Thank you, yes. Mrs Christian.

**Mrs Christian:** Thank you.

Prior to – you were involved in the early stages up to the raising of the bond and so on but, clearly, at that point there were concerns about non-compliance with financial regulations. Had there been any thought at that time to apply to Treasury to give a direction to the MEA?

**Mr Cashen:** I do not think so, no. It was a –

**Mrs Christian:** Notwithstanding two years or so of non-compliance?

**Mr Cashen:** Yes, I think it was a question of trying to engage with the MEA and trying to...

We did not want relationships to break down. I mean it was so important that we all work together on this issue, so it was a matter of encouragement and such like. I mean, to issue a direction is a pretty serious situation.

**Mrs Christian:** Do you think that this situation evolved when you were trying to co-operate but, clearly, there was a difference of opinion between the parties as to whether or not financial regulations applied to the MEA, the MEA claiming that they did not? Do you think that the legislation is clear enough in this regard?

**Mr Cashen:** As far as I was concerned, it was perfectly clear. The financial regulations applied to all Boards, all Departments and all agencies of Government. There was never any doubt in my mind as to it. It appears that, subsequently, there were doubts raised, but up to the day I retired, financial regulations applied to everyone.

**Mrs Christian:** Thank you.

**The Chairman:** And were adhered to, no matter how bureaucratic or time consuming they might have appeared to the parties at the time?

**Mr Cashen:** I cannot say, Mr Speaker, that all Departments apply and accept all financial regulations all of the time. If they did, we would not have a need for internal auditors or external auditors. I mean, if everyone abided by the traffic legislation, we would have far fewer policemen, but Departments tried as best as they were able to comply with financial regulations and if they had difficulties they could always ask.

There is provision... The Treasury, on occasions, would

give dispensations if there were particular difficulties.

**The Chairman:** Thank you. Mr Butt.

**Mr Butt:** Yes, just one question: going back to your earlier comments about the board changing, the board changed almost totally. I think you said there was no continuity.

**Mr Cashen:** Well, a little continuity. I think there was only one member from previous.

**Mr Butt:** You did not sound very happy about that. I just wonder if you could explain to me, do you have any knowledge as to why the board changed so quickly and what was behind that?

**Mr Cashen:** I think at the time, from memory – and, of course, I am now going back to the beginning of 1997 – the DTI Minister advised the Council of Ministers that he had identified certain individuals with proven experience in business matters, and in electrical engineering and such issues, who were appropriate to be appointed to the board, but I am sure that there were members of the previous board who had such skills, as well.

**Mr Butt:** Is this Mr North, at that stage, as well?

**Mr Cashen:** Yes.

**Mr Butt:** So he wanted to bring in a new board, presumably to... I am sorry, you are saying the previous board had skills, as well?

**Mr Cashen:** I am sure they did.

**Mr Butt:** So did you know of any other reason why maybe they took up and changed?

**Mr Cashen:** You know, it is always useful to have continuity, is it not? I know when there is a General Election for the House of Keys it is theoretically possible to have 24 new Members but that does not happen and I think continuity... it is always good to have somebody there who knows what happened in the past.

**Mr Butt:** How much of a factor is that, do you think, in what happened later on when this project went ahead?

**Mr Cashen:** It might not be a factor at all.

I just think that the MEA acted independently, they had this independent streak. They did things differently to their predecessors and they just went ahead and bulldozed this whole thing through.

**The Chairman:** Mr Quirk.

**Mr Quirk:** Just on that particular point, when you say they 'bulldozed' it through, but they actually – all the officers – then asked for Tynwald approval. Would that have not... Would all the Tynwald Members be aware? I do not know, in that particular day or those particular years, that briefings were given to all political Members in the past –

**Mr Cashen:** I do not know whether Tynwald Members were aware or not, sir, I know Council of Ministers were most concerned about it. I think there is a minute from Council, indicating that they felt they had been rushed into it.

**The Chairman:** Can I ask our Clerk if there are any matters you wish to raise.

**The Clerk:** I think we have covered everything, thank you.

**The Chairman:** Well, can I ask you, Mr Cashen... thank you very much for answering our questions. If you have anything you wish to add, I would be very happy that you do so.

**Mr Cashen:** No, sir, I do not think so.

**The Chairman:** Well, thank you for your help to the Committee.

**Mr Cashen:** All I would say, sir, is, you know, I have not been involved with this for seven years, so we have had to assimilate quite a bit in the past few days!

**The Chairman:** Well, we are grateful to you because, with the passage of time for all of us, clearly we are not going to recall so thank you for your attention to this matter.

Now, clearly, we will have further evidence, as I said earlier, to take from witnesses and it may be necessary to contact you further or, in fact, recall you for further evidence, if required.

So with that, Mr Cashen, thank you very much and, ladies and gentlemen, that concludes the public session of the Committee for today.

The next public session will commence at 10.15 tomorrow morning.

Thank you and good morning.

*The Committee sat in private at 1.06 p.m.*