



Subject: Sector classification of Irish Water

In March 2015, the Irish Central Statistical Office sent to Eurostat a request for advice concerning the sector classification of Irish Water.

In light of the information provided and based on ESA 2010 accounting rules, Eurostat has concluded that **Irish Water is a non-market entity controlled by government and should be classified inside the government sector.**

This approach was already taken provisionally by Eurostat in the [April 2015 EDP notification](#).

The detailed description of the main aspects of Irish Water constitution and business, followed by an extended accounting analysis, while also addressing and clarifying a number of points raised by the Irish statistical authorities, will be published on 30 July 2015 here: <http://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/advice-to-member-states>

Key elements on which Eurostat advice is based:

- Considerable government control over Irish Water, in particular over board appointments and operations, including broad pricing parameters such as price caps for non-domestic users.
- The fact that Irish Water merely re-organises previously non-market activity carried out by local government, with local government assets being transferred to Irish Water and a large majority of Irish Water staff remaining local government employees.
- Significant and continuous government funding and support to Irish Water, mainly in the form of operational grants and capital funding.
- The lack of economically significant prices, concerning in particular the capping of fees for households, with 70% of households expected to be protected by the price cap.
- The fact that the quantitative criterion is not met (the “50% test”, stipulating that sales must cover at least 50% of the production costs over a sustained multi-year period). This is further amplified by the high number of households not paying their bills.