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IRELAND**
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Chambers Ireland Submission to the Mid Term Capital Plan Review

April 2017

Chambers Ireland is the largest business network in the State. With members in every geographic region and economic sector in Ireland, we are well positioned to understand the concerns of businesses from all areas in the country and represent their views. We welcome this opportunity to contribute to the work of the Department of Public Expenditure and Reform on the Mid Term Capital Plan Review.

The Capital Plan is a vital element in planning for a future of sustainable and effective growth for Ireland. In order to continually attract inward investment and support indigenous industry to thrive, Ireland requires a high quality, modern and steadily maintained infrastructure stock.

Years of underinvestment have meant that Ireland is now faced with serious infrastructural challenges and deficits, which require major State investment. These issues have the potential to become more pronounced as the need for Ireland to remain competitive in a global context increases in light of policy changes by the United States and in the face of ongoing Brexit negotiations as the UK prepares to leave the European Union.

Ireland's competitiveness and the ability to support and attract business through the provision of high quality infrastructure will be vital in supporting Irish business through the uncertainty and challenges currently facing Ireland.

Having reached out to our Network of Chambers across the country, Chambers Ireland has gathered views on the priorities of Irish business which are outlined in this submission.

Ireland's economic and social needs

Ireland's competitiveness must be the primary objective when reevaluating the Capital Plan. We must ensure that all investment in infrastructure brings economic returns through enhanced competitiveness of Irish business and through enhanced attractiveness of Ireland as a destination for FDI.

Since the drafting of the Capital Plan 2016-2021 in 2015, the economic environment in which Ireland is operating has changed significantly in a number of ways.

The relatively recent decision by the United Kingdom to exit the European Union and the negotiations period which Ireland is now participating in as a member of the EU 27 means that we are faced with much uncertainty on the future trading conditions with the UK, along with a variety of other factors of concern to Irish business. Policy changes by the United States also have the potential to disrupt Ireland's economy, such as the recent decision by the US to lower its Corporate Tax Rate to 15%. Uncertainty in the macroeconomic environment and policy changes by Ireland's trading partners stand to greatly affect Ireland's uniquely open economy and Irish business.

Years of underinvestment in Ireland's infrastructure stock means that alongside the external challenges facing the country we must also catch up on infrastructural deficits which threaten our competitiveness. The National Competitiveness Council (NCC), in their recent report on Ireland's Competitiveness Challenges, highlighted that comparatively, Ireland's investment in infrastructure measured as a percentage of GDP per capita is worryingly low when examining the levels of countries that Ireland typically competes with for trade and investment¹; "Public investment as a proportion of gross fixed capital formation (2%) is below both the UK and Euro average (2.7%)"². In addition to this, another NCC report on benchmarking the competitiveness of Ireland outlines the challenge Ireland is facing in relation to infrastructure in comparative terms specifically with the UK. The report points out that "in the run-up to, and post-, Brexit we can expect the UK to intensify its investment in infrastructure, enhance and develop its tax and nontax offering for enterprise, develop its skills and innovation base and expand trade into new and existing markets. Moreover, we can expect other countries to continue to enhance their competitiveness position"³. It is therefore vital that the Department significantly increase the level of State investment in infrastructure and also seeks alternative funding mechanisms for large-scale infrastructure projects in order to enable Ireland to compete on the global stage for investment opportunities and in support of Irish business.

¹ <http://www.competitiveness.ie/Publications/2016/Competitiveness-Challenge-2016-NCC.pdf>, p40

² <http://www.competitiveness.ie/News-Events/2017/NCC-Benchmarking-Competitiveness-for-Publication.pdf>, p. 10

³ <http://www.competitiveness.ie/News-Events/2017/NCC-Benchmarking-Competitiveness-for-Publication.pdf>, p. 5

Priorities for the Mid Term Capital Plan Review

Chambers Ireland has consulted with our Network of Chambers located across the country in relation to what the priorities of their business members are in infrastructure projects and investment. Significantly, the Chambers Network ranked investment in Transport as their number one priority for the Review of the Capital Plan.

Transport

Strategic and well-planned investment in Ireland's Transport Network has the potential to significantly contribute to Ireland's competitiveness and economic wellbeing. Enhanced road transport and connectivity is vitally important for all industry sectors and for all areas of the country. Alongside this, greater investment in transport networks and hubs will be even more important in the context of potential changes to the trading relationship between the EU and the UK, as pressure on Irish ports, airports and roads will likely increase as a result of additional administrative burdens in the trading of goods.

Chambers Ireland would like to see the commitments on transport included in the Capital Plan to date honoured and commenced, along with additional commitments on new transport projects with the potential to support economic growth in Ireland's cities and regions included in the Review of the Capital Plan. Chambers Ireland recognises and supports the need to increase and maintain a steady rate of expenditure on the maintenance of existing transport stock in order to prevent the depreciation of national transport infrastructure. Without increased investment in new and existing transport networks we risk undermining our ability to generate economic growth and increase trade in a sustainable manner.

Broadband

Reliable, high quality and cost-effective Broadband access is a basic requirement of businesses in today's marketplace. Broadband provision is also hugely important for Ireland in competing as an attractive destination for FDI. A significant digital divide currently exists between urban and rural areas and accelerated investment is required across the country to reduce this divide and to enable SMEs to compete on a level playing field. €275 million was committed to the National Broadband Plan in the Capital Plan, however commencement of this vital piece of national infrastructure has not yet begun. Chambers Ireland is calling for the expedition of the NBP along with the allocation of necessary funding to be reviewed and allocated in light of the recent changes to the 'Intervention Areas' following the removal of 300,000 homes from the Plan.

Water

Ireland's increasing population, the growth of new industries and the lack of investment over the years have meant that the existing water infrastructure is desperately in need of upgrading and replacement. High leakage rates, varying water quality standards and disruptions to water supply are all issues which must be addressed: Ireland's water infrastructure needs a major programme of investment to address these issues. This is a problem which affects a great number of Irish households and businesses and also impacts upon our ability to attract FDI. With the recent decision to end water charges based the 'user-pays' principle, there must be certainty on how we can ensure

the long term, sustainable funding required to update infrastructure and improve and maintain the quality of water across the country. The Capital Plan must therefore take into account the large-scale increased investment in water infrastructure now required.

Energy

Energy represents a significant competitiveness issue for Ireland: as pointed out by the Electricity Association of Ireland (EAI), the island of Ireland's remote geographical location and its small size, topography and distributed population make electricity prices structurally more expensive⁴. In their day to day operations, all businesses are reliant on a steady and secure supply of energy. The importance of protecting Ireland's energy security is likely to increase in the coming years along with increases in demand and population. Investing in improving and expanding Ireland's grid infrastructure, as well as in alternative sources of sustainable energy is essential for both security of supply and competitiveness and must therefore be prioritised to ensure our long-term energy security. Increasing investment in measures which will enhance Ireland's energy security has increased in importance since the Brexit referendum decision and Chambers Ireland recommends that this be carefully considered under the review of the Capital Plan.

10 Year Capital Plan

Chambers Ireland recently made a submission to the Department of Housing, Planning, Community and Local Government on the National Planning Framework: Ireland 2040⁵. In this submission we outlined the need for strategic and evidence based spatial planning and investment decisions in order to ensure sustainable, well managed growth and enhanced quality of life in Ireland. We asked that all relevant national and regional policy be aligned with the National Planning Framework in order to ensure coordination, rather than misalignment, in national planning and investment. Chambers Ireland would like to reiterate this message as applicable to the Department of Public Expenditure and Reform in reviewing and revising the Capital Plan.

Chambers Ireland values the importance of reviewing the Capital Plan 2016-2021; however we are conscious of the fact that the highly important piece of national planning policy, the National Planning Framework, is currently still at draft phase. It is the view of Chambers Ireland that the Capital Plan should be aligned with National Planning Framework. This opinion was also offered last year by the National Competitiveness Council, which outlined that "The Council considers it vitally important that the priorities identified in the Mid-Term Review are informed by the objectives set out in the NPF⁶".

There is an urgent need to link our Capital Plan with national spatial planning and Chambers Ireland therefore highlights the necessity for the expedited approval and implementation of the National Planning Framework and looks forward to engaging in the proposed 10 Year Capital Investment Plan consultation following the publication and approval of the National Planning Framework.

⁴ <http://www.eirgridgroup.com/site-files/library/EirGrid/Generation%20Capacity%20Statement%202014.pdf>

⁵ <http://www.chambers.ie/assets/media/Downloads/Publications/Submissions/Chambers%20Ireland%20Submission%20on%20the%20National%20Planning%20Framework%20March%202017.pdf>

⁶ <http://www.competitiveness.ie/Publications/2016/Competitiveness-Challenge-2016-NCC.pdf>, p.43

Coordination between the Capital Plan and the National Planning Framework will be vital in ensuring the effective realisation of both.

Funding Measures

Ireland requires an ambitious and substantive programme of capital investment: investment in infrastructure at this point in time is vital for our national competitiveness and economic growth.

Given the variety and volume of infrastructural demands currently facing Ireland, the €2.655 billion of additional capital resources will be insufficient in addressing the significant challenges. Current levels of capital investment are significantly below the levels needed to ensure adequate infrastructural provision. Therefore the Capital Plan must increase the commitment to explore and seek alternative funding mechanisms for investment in infrastructure. An exploration of potential flexibilities within EU fiscal rules should be undertaken as well as increasing the levels of Public-Private Partnerships for the delivery of large-scale infrastructure projects.