

INFRASTRUCTURE PRIORITIES



A Policy Paper by the Infrastructure Committee of the
British Irish Chamber of Commerce

November 2017

CHAIRMAN'S FOREWORD



I am pleased to present this Policy Paper on behalf of the British Irish Chamber of Commerce Infrastructure Committee, setting out Infrastructure priorities in both the UK and Ireland which are necessary to ensure efficient and sustainable trade between both islands.

The delivery of infrastructure is a prerequisite for sustainable economic growth on the island of Ireland. Building internal and external investment in the Irish economy will require the delivery of this infrastructure regardless of the implications of Brexit. Ireland shares land and sea borders with the UK which require transport, energy and communication infrastructure to enable trade and commerce to operate effectively between each jurisdiction.

During the recession, the general government capital expenditure was significantly reduced from 5.2% of GDP in 2008 to 1.8% of GDP in 2013. It currently stands at approximately 2.2% GDP.

The British Irish Chamber of Commerce Infrastructure Committee welcomes the announcement in Budget 2018 that total voted capital spending for 2018 will amount to over €5.3 billion, an increase of €790 million. There is also an additional commitment to increase capital expenditure by €4.3 billion to the end of the existing Capital Plan in 2021. This paper outlines some suggested areas of investment. To ensure efficient long term planning, this Committee advocates for multi-annual budgeting for infrastructural expenditure.

The Policy Paper advocates the development of Infrastructure developments under four headings;

- Projects within Ireland
- Projects within the island of Ireland
- Projects enabling Ireland-UK links
- Financing.

Substantial investment is required in ports, airports, transport, water services and broadband. Many of the priorities identified align with those recognised by other agencies as critical to economic and social development in Ireland and the Chamber plans close engagement with other stakeholders in order to develop agreed objectives in identifying key projects.

Sean Finlay

A MESSAGE FROM THE DIRECTOR GENERAL



The United Kingdom is Ireland's largest two way trading partner and the trade between us exceeds €60bn annually and supports over 400,000 jobs across both countries. In fact the UK exports more to Ireland than it does to China, Japan, Canada, Russia, Saudi Arabia and South Korea combined.

Further underlining Britain's links with the wider European Union, the UK imports more from the EU than it does from the rest of the world combined.

It follows that any substantial change in the current trading relationship between the UK and EU that might necessitate customs checks would place a significant burden on Irish and UK infrastructure and most notably at our ports and airports.

The role of the British Irish Chamber of Commerce is to promote, support and maximise the trade between Britain and Ireland and to put forward remedies to address potential barriers to that trade. Our Member businesses represent all sectors of the economy and our sectoral Committees bring valuable insight to our policy advocacy for the wider good.

In preparing for Brexit, it is essential that both the UK and Ireland have the necessary Infrastructure in place to optimise and increase the capacity of our ports, airports and other supporting assets. The Chamber's Infrastructure Committee has done important work in highlighting the main priorities for Infrastructure that should be considered in a Brexit context. The Committee's continuing endeavours will play a significant role in the UK/Ireland response to Brexit and we thank all of our Member businesses for their ongoing contribution to this vital mission for the benefit of all.

John McGrane

BACKGROUND AND CONTEXT

The United Kingdom is one of Ireland's most important trading partners. In 2016, Ireland exported €15.3 billion worth of goods to the UK representing 13% of overall visible exports and imported €16.8 billion worth of goods from the UK representing 23% of total visible imports (CSO). In relation to Northern Ireland, Ireland exported €1.65 billion worth of goods to Northern Ireland and imported €1.1 billion worth of goods (CSO). It is estimated that approximately 1 million HGVs, 1.3 million vans and 12 million cars move between Northern Ireland and Ireland annually.

Northern Ireland is also an important export route for Irish trade to other EU Member States. Although there is no detailed information on the exact level of trade that passes through Northern Ireland from the Republic, some estimates have indicated that around half of Northern Ireland's trade containers either derive from the Republic or are destined for it. The majority of freight in Ireland (both internally and for export) is transported via road. In 2015, 118.1 million tonnes of goods were transported by Irish goods vehicles. Of the total tonnage transported by road, 94.2% of this was destined for other locations in Ireland. Of those goods that were destined for export by road, 30% went to Northern Ireland while 60% was destined for the rest of the UK. Dublin is Ireland's largest port handling 44% of the total tonnage of goods traded. This is followed by Shannon Foynes which handles 21.5% and then Cork with 19%.

The UK serves as the main route to European markets for most Irish businesses with over 80% of our trade with mainland Europe transiting as road freight via the UK. The majority of this trade is in perishable or other time sensitive products¹.

This level of trade requires infrastructure of all types. Improving and expanding the quality and capacity of transport infrastructure has an impact on the volume of exports which can be sent to key markets such as the United Kingdom and increasingly to emerging markets.

The British Irish Chamber of Commerce Infrastructure Committee has set out four main elements of infrastructure development and goals which are crucial to the continued levels of trade between the two countries, notably:

- 1) Infrastructure Projects within Ireland
- 2) Infrastructure within the Island of Ireland
- 3) Infrastructure Enabling Ireland-UK Links
- 4) Financing Infrastructure.

¹<http://www.cilt.ie/Portals/0/adam/FAQ%20with%20Categories/VFBPD6450dHWYtWVUsYA/DocumentLink/Preliminary%20Assessment%20of%20the%20Implications%20of%20Brexit%20for%20the%20Logistics%20and%20Transport%20Sector.pdf>

1) INFRASTRUCTURE PROJECTS WITHIN IRELAND

Recent studies by the Construction Industry Federation and by Engineers Ireland highlight urgently needed policy changes for infrastructure including the provision of an integrated and long term approach which would involve the creation of an independent statutory National Infrastructure Commission (NIC) operating on a 15-20 year timeframe. Such an approach is evident in Canada, Australia and Switzerland. In the UK, an NIC has been in existence since 2015 and has been largely successful in depoliticising infrastructure delivery and securing broad societal support for important long term projects.

Specific projects identified by the Chamber's Infrastructure Committee which are central to improving infrastructure in Ireland are:

- **Invest in ports infrastructure:** In Ireland the approved places for landing non-EU goods are the main ports for goods arriving by sea. Should the UK leave the Customs Union, the potential disruption at Irish ports will be significant. Using Dublin Port as an example, this port is the busiest port in Ireland catering for 80% of all freight trade into and out of the country. In real terms, over 400,000 trucks use the Dublin-Holyhead route every year to transport exports to the UK and on to Europe. If customs checks had to be carried out on all of the trucks that roll off its port between 5:30-7:30am, the queue would stretch for 9km. In reality this would mean that 3 hectares of space would need to be found to allow these checks take place.
- **Improve the competitive environment Irish ports operate under:** Ports close to the border are at a comparative disadvantage with northern ports which operate under a less onerous planning regime and have more relaxed regulatory dredging requirements, thus giving them a commercial advantage on internal investment and maintenance.
- **Develop national transport links that promote balanced regional development:** The Chamber welcomes the recent announcement from the Taoiseach that the M20 Cork to Limerick motorway will be delivered. This has been advocated for sometime by the Chamber and other representative organisations. The Chamber is further advocating that future national transport links should always be considerate of regional development to act as a counterweight to the Greater Dublin Area.
- Advance planning for **Dublin's Eastern Bypass** to relieve M50 congestion.
- **Provide access to Dublin Airport via Metro North.** The Chamber has in previous reports (SME & CAST) called for the Government to bring forward the start date of the Metro North project that will connect Dublin Airport to the capital's city centre. Dublin Airport is one of only two airports within the top 20 busiest airports in Europe that does not have a rail link connecting the airport to the city centre.
- Extend electrification of the Greater Dublin Area commuter rail network, including delivery of the **DART Underground tunnel**.
- Continue **LUAS** extensions rollouts to Lucan, Finglas and Bray.

- Progress delivery of Eastern and Midlands Water Supply Scheme.
- Review and plan for effects on Critical Infrastructure arising from Climate Change.
- Invest in Healthcare infrastructure in order to respond to demographic trends (ageing population).
- **Fast track the roll out of the National Broadband Plan as a national priority.** The roll out of the National Broadband Plan has been pushed back to 2019. This puts Irish SMEs located in rural Ireland at a significant disadvantage at a time when consumers in Europe, the UK and Ireland look more and more to online shopping for purchasing their goods. Research carried out by Vodafone shows that 69% of rural SMEs have slow and unreliable internet speeds which prevents them from working efficiently and undermines their potential for growth. Additionally, failure to deliver high quality broadband in Ireland's regions will curtail attempts to attract FDI investment across the country.
- **Ensure that water and wastewater services are adequately and appropriately funded.** The supply of a clean, affordable water service is essential for business. High quality municipal wastewater treatment is also important to protect our lakes and rivers. As highlighted by recent high profile water outages, significant additional investment is required in the coming decade to upgrade our water and wastewater infrastructure which in turn will provide certainty for business planning and support future housing and commercial development. The ability to plan and prioritise a cost-effective investment programme is reliant on Irish Water having certainty over multi-year funding and will facilitate long-term planning in what is critical national infrastructure.
- **Progress with a single water utility approach:** Irish Water is working towards transforming the current industry operating model from a 31 local authority structure to a single utility way of working. It signifies a move away from the current inefficient model of delivery via individual service level agreements. The Public Utility Model will establish a single organisation with a regional structure. It is essential that this agenda is progressed in order to deliver efficient and coordinated water services for customers at national, regional and local levels.



2) INFRASTRUCTURE WITHIN THE ISLAND OF IRELAND

North-South linkages are essential for trade which has benefitted greatly from the removal of customs and security barriers. Specific priorities identified by the Chamber in this area are as follows:

- To upgrade the Dublin to Belfast rail service.
- To provide heavy rail access to Dublin Airport linked to the Dublin to Belfast line.
- To advance the North-South Interconnector.
- To improve access to the north east of the island by advancing the A5 road improvement which has planning consent in place.



3) INFRASTRUCTURE ENABLING IRELAND-UK LINKS

East-West linkages provide the arteries for Ireland's trade with Great Britain. In 2015 trade with the UK comprised 39% of all Irish maritime trade and this figure continues to rise. While the number of vessels arriving at Irish ports has decreased, the size of the vessels has increased. It is crucial therefore that port development is a priority. Similarly, airports are crucial to Ireland's economic performance. In 2016, 33 million passengers passed through Irish airports, with 6 million of these passengers originating in the United Kingdom. Key initiatives identified by the Chamber include:

- Undertake a **complete review of the capacity of British and Irish Ports** in the context of Brexit and the potential imposition of Custom Checks.
- Establish a formal **UK-Ireland Transport and Infrastructure Forum** to address to areas of mutual concern in light of Brexit.
- Provision of an appropriately permitted **new northern runway** at Dublin Airport.
- Publish **Master plan for Rosslare Europort**.
- Put in place a regulatory regime to support the commencement of the **'Greenlink' Interconnector Project**.
- In the Brexit context, the extent of the need for customs controls at ports and airports is as yet unclear. Worst case scenarios are alarming and may require extensive and costly facilities which cannot be delivered in the current timescale of June 2019.

Another Brexit concern is the **continued free movement of professional and contracting personnel from EU and non EU countries**. The Confederation of British Industry, Arcadis, the Royal Institution of Chartered Surveyors, the Home Builders Federation and the British Property Federation have called on the UK government to safeguard access to EU labour or "face a skills cliff edge" in construction.



4) FINANCING INFRASTRUCTURE

By 2021 total capital expenditure will amount to €7.8 billion. This is a marked improvement on the €3.7 billion capital expenditure outlay of 2015. However, after a decade of underinvestment, increasing demographic pressures and the economic challenge of Brexit, Ireland must intensify its current projected investment in infrastructure to maintain a competitive position post-Brexit. EU fiscal rules such as the Stability and Growth Pact are restricting the ability of the State to invest for productive purposes. They make no differentiation between capital expenditure and current expenditure with regard to their impacts on the budget deficit.

The Department of Finance is exploring how the fiscal rules could be applied more flexibly to support increased investment levels without changing the rules. These include opportunities to invoke the Structural Reform Clause which allows a state to apply for a temporary deviation of up to 0.5 per cent of GDP, provided the State is not in the Excessive Deficit Procedure (EDP). Another option is the Investment Clause. Alternative sources of finance with considerable potential include the European Investment Bank, the European Fund for Strategic Investment and the Irish Strategic Investment Fund.

- The Chamber will engage with the Department of Finance, the European Investment Bank (EIB), Electrical Safety Foundation International (ESFI) and Ireland Strategic Investment Fund (ISIF) to press the case for more flexible fiscal rules to support infrastructure investment.



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The British Irish Chamber of Commerce is the leading business group serving the interests of businesses with interests in Britain and Ireland

Every week, over €1 billion of trade is conducted between our two islands. This trade sustains over 400,000 jobs directly, and many more indirectly.

The Chamber's member businesses employ almost 2 million people globally and we look for every opportunity to help them grow in a pro-business, pro-employment and pro-community environment.