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Joined-up thinking on how to spend €3.8bn

Almost everyone agrees the State badly needs investment in housing, schools and transport. However, the minority Government faces some tough choices, writes **Kyran Fitzgerald**

It is almost a year since the Government launched its capital plan covering 2016 to 2021. The plan received a broad if cautious welcome at the time, though the focus of attention soon switched to the budget.

Under the plan, an exchequer spend of €27bn on capital projects up to 2021 ranging from broadband to flood defences and including an extension of the Wild Atlantic Way and preparation work on the Metro North scheme was committed to.

A further €14.5bn is to be made available by commercial semi-states companies such as the ESB and Ervia (formerly Bord Gáis). So what has happened in the intervening period?

The housing crisis has moved centre stage. The new minister Simon Coveney has, in a sense, staked his future on early success. There is a dawning, if belated, realisation within the political and business classes that the surging cost of accommodation is threatening national competitiveness as well as fomenting social discord and threatening the futures of thousands of families.

In late July, Mr Coveney launched an action plan aimed at boosting overall national supply, providing more social housing and utilising more of the country's vacant housing stock.

The Royal Institute of the Architects of Ireland praised the minister's "considerable achievement" in producing a report with timelines and "key deliverables" set out over a 100-day period, thereby imparting (one hopes) some sense of urgency into the administration.

The report is described by the CEO of the McVerry Trust, Pat Doyle, as a "strong statement of intent".

Ensuring delivery is another matter. The institute expressed the hope that the cross-departmental approach envisaged "will

overcome many of the unnecessary blockages which architects have seen at first hand".

Here, at least, Dundalk's local authority appears to have stolen a march through its use of compulsory purchase orders to take over empty derelict properties for conversion to public use.

Elsewhere, the final planning hurdles in the way of the National Children's hospital have been overcome, with the authorities still confident that construction can get underway in Kilmainham by the year end.

The Dublin Airport Authority unveiled its €320m plan for a second runway at an increasingly busy Dublin airport in April. It has refinanced €550m in debts and has sought tenders. The aim is to begin site works by the year end and to get full construction underway, next year.

During the year, some innovations in the financing of capital projects have taken place.

A deal on Ireland's first healthcare public-private partnership (PPP) was closed. Under the scheme, 14 long-awaited new primary care centres are being provided. The National Development Finance Agency also completed the first ever refinancing of a PPP transaction, taking advantage of a general fall in borrowing costs.

The development agency is acting as agent for the Department of Education and Skills in seeking to rein in costs.

For once, the State is making an effort to plan ahead for population changes rather than sitting back and waiting for the consequences of long-term neglect to fall on successors in government.

The real concern is that we are playing catch up when it comes to infrastructure provision more generally. In 2010, the plug was pulled on many capital projects and the total spend has fallen off dramatically since 2008 when

spending on capital projects reached an annual peak of around €9bn.

Under the capital plan, an exchequer budget of €3.8bn has been provided for 2016. It rises steadily to €5.4bn over the next few years. This is nothing like enough, say industry bodies like the CIF, Ibec and Engineers Ireland.

As Ibec has put it: "The experience of the 1980s demonstrates that a decade of under-investment in infrastructure limits the economy's growth potential."

The Brexit vote has if anything increased the sense of urgency. However, the Irish government is like the mother of a hungry brood all laying claim to a near empty larder. Damien Owens is registrar at Engineers Ireland. He points to the need for long-term, joined-up thinking when it comes to capital projects. "In a sense, our infrastructure is decaying," he says.

He is also concerned at what he describes as the "drying up" of PPP projects since the years of the boom. He also believes that such approaches require careful assessment, particularly when applied to schools and colleges.

"Time will tell whether PPP schools are better kept than the publicly funded ones. In schools, as opposed to roads, there are much more variables," Mr

Owens says. While more funds should be made available for projects, particularly in an era of low borrowing costs and broadening fund availability, this can only happen if good husbandry practices occur across government.

Why, for example, are so many public officials working in expensive city centre offices when they could be accommodated at a fraction of the cost on the city edges? Then, of course, there are the incessant pressures on cabinet to boost public spend-

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ing, an attitude fostered in the media where outlets prefer 'human interest' stories to dry accounts of expenditure control.

As the pressures grow on the minority government in the run up to budget day, who would really wish to be in the shoes of the Expenditure Minister Paschal Donohoe right now?

Already, he is faced with demands from Fianna Fáil for a hike in the State pension while his colleague, Leo Varadkar, talks of linking social welfare payment to earnings increases.

In this environment, long-term thinking tends to go out the window. Yet it is worth remembering that some very accessible sites across our cities are not suitable for housing or other purposes because of a lack of sewerage or water facilities.

The anti-water charge groups have yet to come up with a properly costed alternative to the plans being put in place by Irish Water beyond a general proposal that such investment should come exclusively out of an already over-stretched public purse.

Some tough choices will have to be made if we are not to end up deferring the investments that would bring multiples benefits, and avoid unnecessary bottlenecks some years down the road.



Simon Coveney: Launched a plan in July to national housing supply.