

Irish Congress of Trade Unions

***Investing for All***

**Submission on the  
National Development Plan  
2007-2013**

**14 March 2006**

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## Priorities

Congress has three major priorities under the new NDP:

1. Switch investment in physical infrastructure to public transport, with the emphasis on integrated, well-funded urban transport;
2. Invest in upskilling the existing workforce, with the emphasis on those who have had least educational and training opportunities;
3. Investment in childcare and eldercare.

## Introduction

The new NDP must signal a change in direction from the key economic objective of social partners in the 20<sup>th</sup> Century. This was the pursuit of economic growth in order to end mass unemployment and emigration. With a booming jobs market, with many new problems being generated by high growth, with substantial social problems remaining, with inequality of life chances, it is time to shift policy from economic growth to economic and social development. The theme of our submission is investing public money for all citizens.

Congress warmly welcomes the Government's decision to prepare another National Development Plan to run to 2013. Investment in the future is best executed under a rolling plan where priorities are clearly established; where evaluations are regularly made, where there is regular consultation.

Congress recognises that this plan will be largely financed out of Irish taxpayers' money, rather than European funds, but sees no financial obstacle to this change. Congress believes that the structures and systems under EU guidelines of previous plans, with consultations, should continue to be adopted.

## **Credibility in Policy Formulation and Implementation**

Cost overruns, planning issues delays and some poor policy evaluation have undermined the credibility of policymaking under the existing NDP.

It is essential to reform the Planning Laws before the Plan is executed. The Planning and Development (Strategic Infrastructure) Bill 2006 should assist in speeding up the process of executing projects while allowing people to exercise their rights.

It may be necessary to take further steps in the future to restore/ prioritise:

1. The public good over the private;
2. Credibility in planning;
3. Value for money;
4. Efficient execution of the National Plan.

This Bill, when passed into law, will assist in the process and the cost benefit analysis, which is proposed below, will also help in this regard.

## **Greater Public Consultation**

The Irish taxpayer will fund the new NDP. The Irish taxpayer must be informed of progress, extent and all outcomes of their investment. Congress believes that the structures and systems under EU guidelines of the current NDP should continue, with wide ranging public consultation with interest groups and with parties from all areas of Ireland. Congress holds that there should be open access to all information on the NDP and assistance should continue to be provided to those who wish to be informed on it. To assist in this objective of greater transparency, the current high charges to access information under Freedom of Information should be substantially reduced.

Further, Congress concurs with the recent OECD report on Ireland which urges that “rigorous cost-benefit analysis of infrastructural projects” should be undertaken, though we are of the view that these analyses should be done within a beefed-up unit within the public sector in advance of the projects being undertaken, but after they have been fully scoped. The assumptions underlying such CB analyses must be fully transparent. This would be in addition to the current public service benchmark.

### **Increase the Size of Investment in the NDP**

Congress believes that the total investment on new NDP should be considerably increased over the current NDP. Spending targets under the current NDP were largely met, but physical output was not in many cases. This was especially true for roads. Most inter-urban roads were behind schedule and over-budget, though there has been a marked improvement in recent times. Congress wishes to see the completion of major road links between urban centres, town by-passes etc, but the new emphasis on spending should be on public transport. The Transport 21 Plan has indicated that this may be the case, but Congress emphasises the importance of cost –benefit analyses for all public investment and that it should benefit the maximum numbers of citizens.

Ireland has one of the lowest stock of public capital per head in the developed world. It is around €8,000 per head of population compared to €10,000 to €15,000 in most developed countries. The level of public investment was 4.5 percent of GDP between 1995 and 2000 rose to 5 per cent in the subsequent five years.

The major problem was the cost over-runs, and therefore Congress is of the view that the next NDP should be based more on outputs and not financial inputs. In other words, the project approval should shift to outputs, eg number of houses, kilometres of motorway, sewage plant size, incinerators and away from cost, though getting value for money must be an even greater priority under the new NDP.

## **The Economic Background**

There is an extremely benign economic background to increased public investment. This investment is greatly needed. It will generate strong returns. It will improve

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## The Underpinning Philosophy

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## **Sustainable Development**

While the term *sustainability* is abused and over-used, Congress has a clear vision of what it should mean. First, it means a shift in economic policy from the pursuit of growth to economic development, where growth is encouraged in certain sectors, but is no longer maximised, overall, and secondly, to one where policies which fit in with an overall development programme for the country are encouraged. Thirdly, the investment should be planned to minimise adverse affects on the environment. Fourthly, it should be “poverty proofed” to ensure that it generates benefits to all citizens – thus there should be a strong emphasis on all investment on fairness and equity. Fifthly, while building *competitiveness* is important, it should not be paramount in policy design and execution.

The high average standard of living now achieved in Ireland, the sustained high economic growth rates over the past decade means that we can finally afford to shift the direction of investment policy to be more inclusive. Congress believes that the *average* level of income in Ireland disguises the fact that many people have to live on a lot less than the average income and the NDP should be utilised to address this issue.

## **Fairness and Equity**

Fairness and Equity must be seriously considered when decisions are being made as to what investments should be undertaken, on the level of funding and on the priorities. While the case for some projects is pressing, in spite of possible negative redistributive impacts, it is our view that most projects should be assessed on the basis of maximising fairness and equity.

## **Demographic Balance**

The continuing growth of the Dublin region is a serious issue and this NDP should seek to address it. If it cannot help reverse the trend, the plan should at least attempt to slow it. The new NDP should seek to achieve conformity with the National Spatial Strategy and build on its objectives for feasible communities. All public and private bodies should be encouraged to consider locating functions outside the metropolis.

## New Institutions For New Challenges

A key priority in framing the new NDP is to ensure that strong institutional structures are in place to, a) ensure the best and most inclusive design of investments, b) to undertake cost benefit-analysis of all major investment prior to their implementation, c) to facilitate the speedy and cost-effective execution of projects, but also d) to ensure that the major investments in Ireland benefit the maximum numbers of citizens, taxpayers and consumers.

### Maintaining Public Service Standards

Major Public Investment projects must be assessed properly before investment (or further investment) is committed through an NDP. While, in some instances, the engagement of consultants may be a means of assisting with the assessment process, in general, there is no substitute for the judgement which a career public servant can bring to such assessments as it will be informed by a public service ethos and can access a public service corporate memory. The Masters Programme in Public Policy Analysis should enhance the policy analysis capabilities of the public service to provide a more evidenced-based approach to policy making and achieving better value for money.

### The State Holding Company

Congress has also proposed a new dynamic structure, the State Holding Company<sup>1</sup>, which will protect those investments which the state deems to be strategic. The privatisation of Eircom, Ireland's very dominant telecoms company, at a crucial time in the telecoms era has been a major strategic mistake. It has set Ireland back several years on broadband penetration and speed, whilst also imposing heavy costs on Irish industry and consumers. Although there is a telling silence on this major policy error from all state bodies, privately most agree that was a major mistake, even if it was financially good for the Exchequer.

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<sup>1</sup> Congress, 2005, *A New Governance Structure for State Companies*.



## **Strategic Interests or Protectionism?**

There has been growing international recognition of the need to protect strategic and/or state-owned assets, in spite of the recent dominance of economic opinion by conservatives. The real world of competition is more complex than that portrayed by some opinion-makers. While a balance must be struck between protectionism and the efficient operation of markets, some economists too often fail to recognise that markets only operate within structures, institutions and laws made by people.

It is no longer an option for policymakers in framing the NDP to ignore the importance of institutional structures which would protect national interests, until it is too late. Congress recognises what is strategic today may not be in a few years, but most countries, and especially the purported home of free markets, the USA, is highly protectionist when it believes it is best for the USA or even sometimes when it appears to suit its own large corporations' interests. While Congress is not advocating protectionism, the lesson of the total privatisation of Eircom must be learnt.

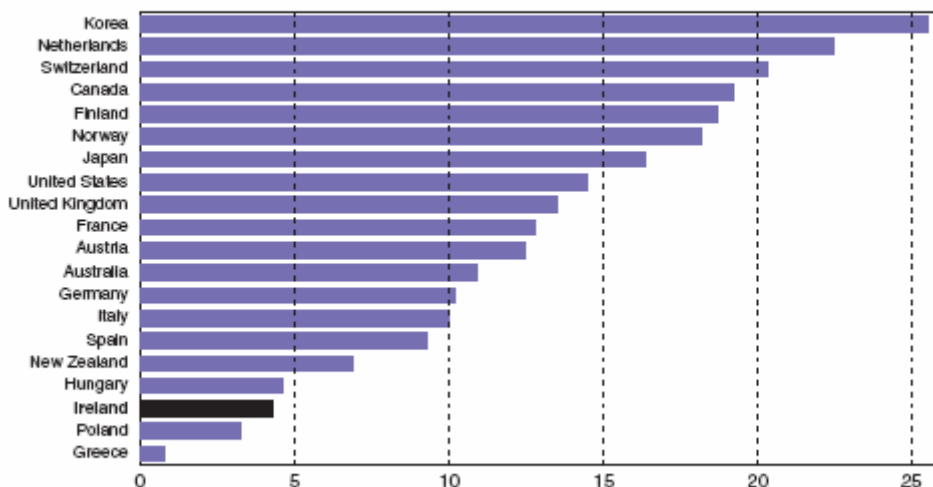
Many countries recognise that some multinational companies can and do manipulate markets using their scale and influence. Even conservatives in the USA showed grave disquiet over the agreed sale of the top 6 US container terminals to Dubai Ports DB World. This deal backed by President Bush, failed in the face of strong opposition (which was probably more protectionist than strategic.) The US had already prevented Cosco, the Chinese state-owned container company, from taking over Long Beach terminal in 1998. State-owned Chinese companies are buying up large oil companies all over the world and other Chinese state companies are buying up other companies for strategic reasons. Cnooc, the Chinese oil company, failed to buy US oil company Unicol in 2005. In Spain, the bid for Endessa, the dominant electricity company, by EON, the large German power group, just after another Spanish company Natural Gas had bid for it, was opposed by the Spanish government. It had hoped to create a National Champion with the merger.

On the same day, 21 February, 2006, Russia merged all its aircraft manufacturers, including Mig, Tupolov, Irkut and Illyushin in to one national champion, Unified Aircraft Corporation. On the same day, Enel, the Italian utility, said it was looking at several European power companies as well as Belgium's Electrabel and possibly Centrica of the UK. On the same day, an Australian bank, Babcock and Brown put in a bid for a now much smaller and weaker Eircom.

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The decision to privatise all of Eircom in 1999 was a major strategic mistake by the Irish government. In fairness, the dominance of conservative opinion in favour of this privatisation in 1999 was quite marked. Some actually believed that the privatisation of the state company into a private monopoly (on lines) would encourage competition. Strategic thinking was especially absent within the administration, but also amongst business people, financial economists and even from academics. Today, the state has been forced to invest €170m in duplicating Eircom's poor broadband system. This should serve as a warning for the necessity and importance of strategic thinking.

**Figure 2.5. Broadband take-up has been slow**  
Broadband subscribers per 100 inhabitants, June 2005



Source: OECD Broadband Statistics, June 2005, [www.oecd.org/sti/ictindicators](http://www.oecd.org/sti/ictindicators).

The graph shows the very low level of broadband take-up in Ireland. Not unusually, this OECD report does not seek to find the reason for the low take up of broadband. It was the privatisation of Eircom, the dominant provider and the subsequent “releasing of value to the shareholders” from the company meant that it had to cut its investment to just one-third the level when it has been state owned and largely debt free. Now it is heavily in debt and its investment has been low, but in spite of losses, it still paid out substantial “dividends” to its shareholders.

The key policy issue is that the state sold off a strategic asset in a key area of particular importance in a modern economy at the wrong time. This major policy error

has led to Ireland falling behind in all related areas of internet etc and the pursuit of the so-called “knowledge economy” has been substantially undermined, for several crucial years.

## **Spatial Strategy and Decentralisation**

### **Land Use**

There is substantial recognition of the importance of the issue of land use today but in practice, this is often neglected. Under the new NDP, as part of the prior Cost-Benefit assessments, land use must be factored in when considering new physical investments whether they are publicly funded or not. This NDP has to seriously address *land use* issues as an integrated part of urban transport planning. This means that all aspects of congestion charges should be considered, but only when there is a fully integrated, efficient public transport system in place, which could be towards the end of this Plan, early in the next decade.

### **Decentralisation**

Congress favours a coherent policy on the decentralisation of public services, but it should be undertaken in line with the National Spatial Strategy. The decentralisation of civil service bodies to very small towns can be counterproductive, where there are costs, there are no economies of scale, where public access is poor and public servants do not wish to be located in such small centres. Decentralisation of existing public services should make economic sense and must be by agreement with staff and unions.

## **Productive Investment**

### **Industrial Promotion**

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Ireland's continues to be attractive for Foreign Direct Investment (FDI). Congress notes that outward foreign direct investment by Irish firms exceeded FDI for the first time in recent years. Congress believes that such outward investment is part of the globalisation process and while we do not wish to see employment shifted offshore which can be maintained in Ireland, we recognise that such investment can strengthen Irish firms. Congress believes that the state bodies should support firms in both FDI and outward investment but in ways which maximise both employment in Ireland and value added, but not one at the expense of the other. Further ownership issues should form part of the strategy. In other words, it is unproductive for the state to assist firms which are then sold off by owners when offered large sums of money. New foreign firms investing in Ireland should be informed by the state agencies that social partnership is an integral part of our economic success and that trade union rights and recognition are part of this process.

### **Innovation and R&D**

The new NDP should carefully consider investing in sustainable energy equipment design and manufacture where Ireland could have first-mover advantage, especially in wind and wave power. The oil is running out and there will never be cheap oil again. The economics of alternatives are becoming more attractive and investment in niche areas could be the way to go.

Congress recognises the importance of productivity and we will be putting forward our policy on productivity shortly. Innovation is a key to increased productivity. R&D by Irish firms is low, but the state should not substitute for them. They need to invest more themselves and simultaneously improve their investment in up-skilling their workers and management training too.

The taxpayer is investing heavily in innovation through PRTL, SFI and the science councils. Ireland is a very small economy and it does need to invest in innovation and R&D. However, it must do so carefully and in niche areas which will generate returns to this economy.

## Public Private Partnership

Over the last number of years, it has been the practice of the Department of Finance to encourage public authorities to consider the use of Public Private Partnership to procure infrastructural projects. The multi-annual envelopes for capital expenditure have earmarked over €7 billion to be used for the development of capital projects by PPP, between 2006 and 2010. A number of flagship projects including the National Maritime College have been used to illustrate the benefits of this procurement method.

However there is a growing opinion that PPPs do not deliver the benefits claimed. In a report by the Comptroller and Auditor General into the procurement by PPP of a bundle of five schools, it was estimated that the cost was 14 percent higher than would have been the case if traditional procurement methods had been applied. Critics also point to the West and East Link toll bridges as indictments of the policy.

The NESC has continued to argue that PPPs can have a role to play. In its most recent report it has argued that PPPs should be considered where this approach can be shown to be more effective than normal tendering. While Congress remains sceptical about the value of PPPs, any proposal to use PPPs must be contextualised, in particular, the use of a PPP by a public authority must:

- be better value for money and must be proved to be so, by reference to a robust public sector benchmark;
- have regard to the agreement between the social partners and Government on consultation with stakeholder;
- have regard to the agreement between the social partners and Government that any private sector contractor will be obliged to observe established sectoral norms in terms and conditions of employment.

Congress is also anxious that resources made available as part of any new national development plan be also focused on enhancing the understanding of the use of the PPP procurement method and of the issues that arise. Congress therefore is seeking that resources be made available to Public Authorities and to the Social Partners to assist in deepening their understanding of PPPs and of procurement in general.

## Protecting the Environment

The protection of the environment is of increasing importance. It is no longer an area of academic interest for some idealistic young people but is mainstream and must be taken seriously by policy makers.

- Emphasis on public transport helps greatly as the rise in car usage is the biggest contributor to greenhouse gas emissions in Ireland. There should be grants for fuel switching and greater efficiency of public transport vehicles.
- Permits for emission trading should be auctioned in the next round and not given away free to those firms with grandfather rights.
- Support to develop integrated traffic management, planning/high density/restrictions on out of town retail centres etc.
- Better buildings standards. 73 percent of households now have central heating, but 21-28 percent use solid fuel still. Consider capital grants to improve central heating to those on low incomes
- Improved vehicle emissions (NCT), fuel efficiency, etc. with grants and rebalance fuel taxes.
- More wind power, renewable energy (other countries have nuclear so that helps them in reaching targets), use of CHP (Combined heat and Power) through grants and taxes on fossil fuels.
- In the longer term, it may be worth considering the reduction in cattle numbers, with for example, a tax on cattle which has been discussed but not proposed in various papers on carbon emissions.
- Policies which encourage the use of waste for energy production and the use of biomass etc. should be funded/encouraged.
- Fuel poverty is a serious issue in Ireland. Grants should be available to assist in the insulation of the homes of those on low income and other measures should also be considered.

## Labour Standards & Public Contracts

A number of industrial disputes highlighted the practice of some employers who exploit vulnerable workers and ignore legally binding and established standards of

employment in the Irish economy. Some employers have been caught exploiting workers in this way while carrying out works on behalf of public authorities and public companies. The GAMA scandal and the exposure by the TEEU of an employer paying significantly below the legally required rate are two examples of what we believe is a widespread problem.

Congress is concerned that any contractor who may be successful in winning a contract to construct infrastructure or provide a service under any new NDP should be required to demonstrate that they have complied or will fully comply with established standards of employment in their sector. Congress believes that the new EU Procurement Directives provides an effective vehicle to ensure this objective and we have raised this issue in the negotiations on a successor to Sustaining Progress. At a minimum, Congress is seeking that any employer working on a publicly funded project as part of any new NDP be required produce a certificate issued by the appropriate Government Department that guarantees their reputation as a good employer. Dedicated resources must be earmarked to regularly audit employment practices on projects under any new NDP, including the smallest sub-contractor, both in infrastructure and services contracts.

## **Sectors**

### **Energy**

Congress notes the very high level of dependency on oil in the Republic of Ireland economy – one of the highest in the EU. Recent media comment has focused on the demand for oil worldwide and the fact that the daily world oil consumption now outstrips daily production. Congress therefore recognises that urgent action is needed to divert our dependency away from oil and to implement measures to enhance energy supply. In this regard Congress supports the following,

- The development of all island approach to energy supply,
- Resources should be made available to fund the development of renewable sources of energy,
- The development of increased interconnector capacity
- The development by the ESB of new generating capacity.
- Encouraging renewed interest in offshore gas and oil exploration, but with a royalty on production.

## Transport

### *Public Transport*

Investment in public transport without structural reform will deliver suboptimal results. The institutional structures within which public transport is administered are wholly inadequate and impede the development of a modern working public transport system, and devalue investment. However, there is one form of institutional change which Congress will strongly oppose and that is direct privatisation of existing public transport and any indirect forms of privatisation. Since Thatcher introduced privatisation in the early 1980s, it has been shown to have failed consumers in public transport. The area of change is the oversight and administration of integrated urban public transport systems.

The huge popularity of the LUAS gave Irish citizens an idea of what good public transport should look like. LUAS has been marred by the failure to merge its two lines, its overcrowding at peak times, the failure of its operator, Connex and Dublin Bus to integrate services and to cooperate on ticketing. Therefore, the decision to address the institutional issue and to establish the Dublin Transport Office is welcome and this overriding body could and should substantially improve Dublin public transport - with coordination and supervision of services and the quality of services.

The National Development Plan should support public transport projects that address infrastructural deficits and are sustainable. The recent report of the NESC, *People, Productivity and Purpose*, points out that its shared vision of a successful society includes access by each family to a well functioning public transport system. They further point out that a shift away from the use of the private car to public transport would make a significant contribution to achieving Ireland's emissions target. It is for these reasons that Congress supports the redirecting of expenditure towards the development of a modern and integrated public transport system. Congress notes and supports the recently announced Transport 21 investment programme and if delivered will transform the level and quality of public transport provision. The immediate introduction of integrated ticketing will facilitate urban mobility, assisted by



real-time timetables on many bus stops. Congress supports the inclusion of the following measures in the New National Development Plan.

### **Expansion of the Dublin Fleet**

When the Minister of Transport announced the Transport 21 initiative he stated that:

*“The bus will continue to play a crucial role in the in the capital’s public transport system, It is not a question of bus or rail, but of using both modes to effectively complement each other to maximise the passenger carrying capacity and availability of public transport. Buses will, in particular, be used to meet the immediate and short-term requirement for additional public transport in Dublin whilst other in Dublin whilst other infrastructure is being put in place.”*

The Minister also asked Dublin Bus to carry out a review of its short, medium and long term requirements in light of the planned investment. Dublin Bus has recently completed this review. Congress supports the provision of resources as part of any new NDP to expand the Dublin Bus Fleet. It is estimated that in order to meet the growing demand for bus-based public transport in the capital, improve the frequency of services and to continue to replace old vehicles and additional 370 buses will be required over the period 2006 – 2009. This estimate is based on the completion on time of the rail based projects announced for Dublin that are part of Transport 21. Any delay in the delivery of these projects may require an upward revision of the bus requirement.

### **Infrastructure Measures to Support Public Transport in Dublin**

Along with an increase in the size of the Dublin Bus fleet there are a number of infrastructural improvements that are required to enhance and improve the functioning of bus based public transport in Dublin. In particular Congress supports:

- The provision of resources to provide for the development of strategically position bus depots;
- The development of additional Quality Bus Corridors with a particular emphasis on providing the infrastructure to ensure a consistent performance/ speed over the whole of the route;
- Improving significantly the access to Quality Bus Corridors;
- The construction of an additional traffic bridge over the Liffey at Macken Street.

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- the implementation of a smart card based integrated ticketing system across all modes of public transport in the capital;
- improving the number and quality of bus shelters;
- in addition to published timetables real time information to be made available at bus stops on all routes.

## Expansion of Bus Eireann Fleet

Bus Eireann continue to be the principal provider of bus based public transport services outside the Greater Dublin Area. While Bus Eireann operate some commercial services they continue to provide services that while essential do not generate enough revenue to pay for themselves. Any new National Development Plan should seek to support the ongoing development of Bus Eireann and the expansion of the fleet in line with their plan operational improvements. Such support could see services increase by over 25 percent in all parts of the country, see the quality and frequency of the service improved, provide improved accessibility for people with disabilities, provide high quality vehicles with increased capacity to be deployed on the school transport scheme and generally improve the quality and attractiveness of public transport.

## ***Rail Infrastructure***

The last NDP saw a welcome emphasis on rail as a strategic transport mode. A few years ago Congress was the only player calling for this approach. Rail plays a key role in the provision of quality rail transport especially in the urban areas. The Transport 21 document sets out a future for the rail system, and there is a need to see that this is implemented within the lifetime of the plan. Among the issues which need to be addressed are:

- The adequacy of the measures proposed - the experience of LUAS has shown that rail-based systems have a tendency to exceed their projected loadings at an early stage.
- The investments proposed should be future-proofed in that they are capable of adaptation to higher capacity without major re-engineering. One example of this is the ease of adaptation of LUAS stock by the insertion of new modules. Another example might be the construction of the Dublin C Ring Tunnel to a gauge which will accommodate double deck stock at some time in the future.

### ***Roads***

Congress supports substantial investment in the building of inter-urban road and more town bypasses, but the emphasis of investment should shift to public transport. Congress welcomes the substantial improvement in value of PPPs in road building. It is essential that no further contracts be given to any contractors for road building of any kind, unless there the bid process includes conditions on health safety and related issues and the role of trade unions in representing workers in these very large publicly funded projects.

When there are efficient, integrated and widespread urban public transport systems in place, and only then, road pricing should be considered by government and local authorities for peak traffic times, in congested urban areas. Such initiatives should make public transport more attractive and the preferred mode of transport in urban areas.

### **Aviation**

#### ***Aer Lingus***

Congress recognises the opportunities that exist that will allow Aer Lingus to grow and expand its range of services. Congress also recognises that significant capital is required to fund the expansion of the airline and its fleet. Congress has been pressing Government to develop an overall policy for the semi-state sector that would

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allow the individual companies to remain in public ownership while at the same time having the funds available for development. The proposal by Congress to develop a state holding company has the potential in the case of Aer Lingus to keep it within the public realm while providing the necessary resources to fund the development of the company. Congress is therefore seeking:

- a Government decision which will begin the process of transferring the ownership of commercial semi-state companies to a state holding company;
- that the capital needed to fund the expansion of the Aer Lingus fleet and the business development plan be made available through that vehicle.

### ***Dublin Airport***

The Dublin Airport Authority (DAA) launched its Framework Development Plan in September of 2005. This plan has been developed in the context of many years of significant under investment at Dublin Airport and the manifest congestion arising from consistent growth in passenger numbers through under capacity facilities. It is our view, that the implementation of the plan to develop Dublin airport is vital to the economic development of the country. Congress supports the expeditious delivery of major elements such as Pier D and Terminal 2 in order to alleviate congestion and to create an environment for ongoing passenger growth.

### **Ports**

Ports are of immense value and strategic importance to an island economy. The ports are part of our critical infrastructure. Dublin Port, the premier port, requires investment. It is a commercial and profitable state owned company. It is a monopoly in its own geographical area and so must not be privatised. The state as owner should be a supportive shareholder and if equity is required for expansion and it makes economic sense, which is certainly does, then the state must invest in this port company (and in other commercial state port companies). Privatisation of the ports would be a major step backwards for this island economy, adversely impacting on national competitiveness, trade and tourism.

### **Forestry**

A recent study has indicated that the total value of Coillte's forest recreation provision to users is €97 million per annum. This benefit is increasingly important in a rapidly urbanising country and it plays a significant role in promoting tourism, public health and education. Coillte's forests attract 18 million visits per annum. The Bacon Report and international experience indicate that recreation will be a key forest value in the future and this is recognised in many countries e.g. Finland, New Zealand and Scotland by direct Government payments to forest agencies such as Coillte. Consideration should be given towards the state making some contribution towards the value of the recreational provision. This would ensure the full realisation of this aspect of the forest's value and enable Coillte meet the expectations of contemporary Irish society.

Congress is of the view that the Forestry Acts of 1946 and 1956 require updating and the 1996 Strategic Development Plan for Forestry proposed a review of the body of forest legislation, which we believe should be now undertaken.

## **Housing**

In the past ten years the Consumer Price Index rose by 35 percent, but house prices rose by a multiple of this – by three times and this was after inflation. Congress secured real increases in wages over and above inflation over each year and there has been a very substantial improvement in living standards for all workers. However, those who are unable to afford to buy a home or who have borrowed to buy one have been very stretched.

Housing demand has been driven by low inflation, low real interest rates, tax subsidies on mortgage repayments, no property taxes except on purchase, strong population growth, especially of those setting up new homes, a sharp fall in household size from a high level and strong immigration. Other factors are very easy access to mortgages compared to continental countries, increased numbers of dual incomes families with the rise in female participation in the labour market and the availability of divorce

The NDP Plan 2000-2006 correctly identified the shortage of affordable housing as a major capacity constraint on the economy. The plan contained a target of 500,000 new homes over ten years from 2000 if housing demand was to be met. It was recognised that there was a shortage of serviced land which could be addressed by investment in water and sewage services and a better public transport system. The

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former problem has been tackled successfully but the lack of public transport capacity remains a serious barrier to sustainable housing development nationwide.

The house building targets contained in the NDP have been exceeded with a record increases year on year over the lifetime of the plan, culminating in an impressive 78,000 houses completed in the year ending Dec 2005. This unprecedented performance has not led to moderation in house prices nor has it succeeded in meeting the increasing demand for housing. The average price of a new house nationally exceeded € ¼ million for the first time in early 2006. The average price paid for a new house in Dublin rose to €351,263 in the third quarter of 2005. This compares with an average price in Dublin of €211,014 at the beginning of the NDP in 2000. It can be expected that maturing SSIs may help drive continued house price inflation over the next few years.

There are a number of reasons why record housing output has failed to meet the demand and lead to a slow down in prices. Firstly, the opening of the labour market to new members States in 2004 led to significant increased and unanticipated demand for housing particularly in the private rented sector. Secondly, the 10,000 affordable houses promised under Sustaining Progress have not yet impacted on average house prices. Thirdly, much of the increased output comes in the form of one-off housing which is being purchased for as long term investment (not necessarily for renting in the short term) or as second or holiday homes. There is no definitive information on the numbers of people who own a second home but in Cork and Kerry, favoured areas for second homes, there was a 45 percent increase in new house completion when there was an 18 percent reduction in Dublin.

It is recognised that Ireland has the most generous tax provisions of owner occupiers in the world. There are tax deductions for mortgage interest payments – unique in the thirty member OECD and it does not tax property values nor does it tax capital gains nor imputed rent. The tax breaks for property investment has skewed the ownership structure and created artificial inequalities especially for those with low incomes. Half of all housing stock is detached houses with only 6 percent being apartments and half of the stock is under ten years old. Any reform of state intervention in housing must take a holistic and equitable view. The ten year Social Partnership programme provides a longer time perspective to ensure that programmes of social housing are effectively executed.

## All-Island Infrastructure

Congress represents 800,000 workers in Ireland and it is clear that in the globalised economy, infrastructural planning and execution on a small island should be coordinated as far as is possible. The award of one contract jointly by both authorities for the motorway across the border between Dundalk and Newry is very welcome and shows the value of such cooperation. The North South inter-connector will save consumers on both sides of the border and promote economies of scale. All other such initiatives should be encouraged under the new NDP. The tendering for such Cross-Border projects should incorporate measures to reduce inequalities in all communities, areas, etc. Initiatives aimed at greater Cross Border joint cooperation between companies, with greater business links, training need to be encouraged. Equally there must be a focus on removing barriers to labour force mobility.

## Balancing Economic and Social Development

Congress has strongly argued, particularly in the context of the NESC deliberations, that Ireland's future economic development relies on a greater emphasis of investment in social development. We argue this is necessary to alleviate complex and growing pressures on a range of social services which severely impact on the quality of life of many Irish citizens. Congress sharply criticised the lack implementation of the commitments towards social investment particularly in health and care services as well as in education and social inclusion measures in the *Mid-term Review* of the current NDP. The delay in implementation has contributed significantly to the growing problems in these areas.

Congress believes the next NDP provides a critical opportunity to address the imbalance which has emerged between economic and social investment and to provide, through the design of this medium-term investment Strategy for:

- (i) greater economic and social cohesion through (re)balanced investment prioritisation;





The next plan must focus on the under-participation of women in the workforce particularly women over 30, lone parents and women with caring responsibilities. The low representation of women in specific occupations and sectors (science and technology and apprenticeships) and the poor progression of women to management, leadership and decision-making roles must be addressed with measures that make a real impact over the lifetime of the plan. Equally, the under representation of men in professions such as primary level teaching and caring requires strategic attention.

Skills' development for women especially those returning to work, women with lower education attainment and low-paid women workers is an important priority and provision must be made for special training measures and incentives, including paid learning leave with allowances offered for child/care costs. Similarly, special approaches and incentives must be devised to encourage women to take up training in areas traditionally dominated by men, including apprenticeship training.

The lack of flexible working arrangements, particularly in the private sector, is a further obstacle to women's (and other under represented groups) participation in the workforce. The recent CSO Report *Women & Men in Ireland, 2005*, shows that the employment rate for women aged 20-44 varies from 84.3 percent for women with no children to 55.3 percent for those whose youngest child is aged 3 years and under. This 'dropout' from the workforce is leading to inequality in promotional prospects and the earning potential of many women. The most recent QHNS (published March 2006) reveals that almost 70 percent of workers have no flexibility in their working hours. The new NDP must include policy, programmes and actions to support the provision of flexible working arrangements to enable working people to combine work and family life, caring responsibilities, learning requirements, commuting time and so on.

The care agenda, including the provision of pre and after school hours' care, the quality of that care and measures to deal with affordability are comprehensively dealt with in the Care Infrastructure section of this submission (see p32).

The areas outlined for attention and action have the potential to make a real contribution towards achieving greater gender equality and could assist in reducing the persistent gender pay gap and poverty experienced by many women. We expect a significant gender dimension and focus to be included in the new National

Development Plan. Such a focus should compliment the National Women's Strategy, which is due for publication within the coming months.

## Education and Lifelong Learning

In allocating resources to the learning infrastructure in society, we must be conscious that investment in learning has been central to the success we currently enjoy. Congress is proposing that the next National Development Plan identifies strategic investment opportunities which will develop and enhance education provision to realise the goal of lifelong learning. There is a need to revisit a number of balancing factors, ie:

- The balance between primary, secondary and tertiary sectors;
- The balance between the economic and the social – learning is more than just a factor of production;
- The balance between those learning **for** work and learning for those **in** work. This is a sector in which we are underdeveloped.

The previous NDP set out to tackle mass unemployment just as it ceased to exist, and under- emphasised learning for those in work just as it became a crucial strategic issue. We must ensure that this does not recur.

### Balance between Primary, Secondary & Tertiary Sectors

Money spent at lower levels in the education system will tend to serve social needs while that spent at higher levels will tend to serve the economic. The achievement of balance should be a high priority in this programme. At primary sector level there is an ongoing need to intensify the Capital Investment Programme to upgrade existing school facilities i.e. buildings and school grounds, as well as the need to strengthen and extending early start programmes to those areas most in need such as RAPID areas. The development of pre-school childhood education, especially in disadvantaged areas, will bring significant returns through the lifetime of the children.

A Capital Investment Programme is also required at secondary level to address unsatisfactory accommodation and replace existing prefabs. Particular importance

needs to be attached to the provision of laboratories, workshops, art rooms and kitchen facilities to meet the new requirements for practical work, as required by new syllabi of the Department of Education & Science, and as recommended by the Task Force on the Physical Sciences.

At second level there are growing problems in participation in education and efforts must be redoubled to reduce the non-completion rates at upper secondary level. The problem which is appearing in this area is particularly focussed on young males. We need further investment in initiatives to retain this grouping in the education system, or to re-establish their contact with the system. We are currently seeing the first symptoms of this group being excluded from the labour markets by third country nationals. This is an extremely dangerous societal development and one which should be actively countered.

Congress strongly believes the next NDP needs to acknowledge the role of the PLC system in addressing these problems. The report of the Steering Group to the PLC Review, commissioned by the Department of Education and Science from Mclver Consultants and accepted in principle by them, must be implemented as a priority.

The Mclver Report proposes the establishment of the further education sector as a distinct sector, acknowledging that PLC colleges cannot continue to operate with a system designed for secondary schools and, sets out a comprehensive set of recommendations for an effective further education system.

This investment, together with investment in FAS, in accordance with the recommendations of the NESC report, are critical elements in providing for the educational needs and skills trainings of many people currently distanced from learning with serious repercussions for their future participation in employment and quality of life.

In addition, the success of the apprenticeship system must also be built upon. At 72 percent, apprentice completion rates clearly demonstrate that the system is serving the needs of the Irish economy. The main need here is for structured progression for craftspeople, building on pilot work already undertaken by TEEU. There is growing need for investment in language training as part of integration measures for migrant communities.

### Third level

Developments in third level must have sufficient focus on access and, in particular, for the growing of mature student numbers. We need to benchmark Ireland against comparable systems and set new targets for adult participation in third level. In particular we need to ensure that an increasing number of mature student enter scientific and engineering disciplines.

It is accepted that the creation of a fourth level sector is vital to the maintenance of a competitive edge for Irish high-tech firms. The scale of resources necessary for this will mean a collaborative approach between the higher education providers. It will also require a highly developed quality system. The basis of such a system has been put in place. The development of a fourth level sector must move in parallel with measures to promote equity of access across social classes and age cohorts. In addition, the development of fourth level must be accompanied by measures which will combat academic drift.

The removal of fees for part-time students in further and continuing education and retraining and, the facilitation of paid educational leave that is tiered towards the less-qualified and lower-paid, are critical for access for all citizens to lifelong learning. Under the current position further and continuing education and much retraining, especially adult in-work learning, is the preserve of the few.

### ICT

The effective use of ICT needs to be seriously addressed. It will be seen in a forthcoming Congress paper<sup>3</sup> that ICT investment must be accompanied by 'complementary investment' that is, investment in the training of people, if it is to be effective. Much of the overselling of e-learning which accompanied the years of the

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<sup>3</sup> Congress, 2006, (forthcoming) *The Coming Challenges on Productivity*, Briefing No 8.

dot com boom has now been dispelled, but there remains a clear and compelling case for ensuring that each student leaves the system with a knowledge of the application of ICT, in whatever specialism they have. Due to the costliness of the infrastructure, schools in deprived areas will tend to lag behind unless strategic decisions are made to allow such schools to acquire, to maintain and to effectively deploy ICT resources.

## **Workplace provision**

Increased emphasis must be placed on the delivery of learning to those in work. Skillnets has set out a template for the development of learning opportunities for those in the workplace, as have FAS. The challenge which our economy faces in making the 'one step up initiative' a reality means that a much increased part of the current NDP must be aimed at those in the workplace. Whether these individuals are aiming to upskill in their own workplace or to change their career is immaterial, the orientation of the programme must favour them in a way the current NDP did not. The National Training fund could and should be used to leverage additional resources into the area.

## **Healthcare**

Access to affordable, quality healthcare remains one of the most significant issues of concern for citizens and across the public service. While the immediate pressures on Ireland's health services are reported daily in the media the *National Health Strategy* purported to develop this service, in an incremental, planned and strategic manner over a medium term timescale (2001-2011). This NDP must deliver the Health Strategy within this original timeframe.

In reality the *National Health Strategy* was designed as a separate exercise to the design of the *National Development Plan*. Consequently there were no specific financial/investment commitments to the reform and expansion to acute/non-acute hospital and community care services and, therefore, access to these services has not significantly improved.

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It is acknowledged that targeted initiatives e.g. in the field of cancer care, have the potential to improve access but these initiatives are not currently available nationwide and they do not, of themselves, improve access to the services for all other conditions.

The delays and difficulties in implementing the *National Health Strategy* have exacerbated many of the difficulties which have emerged in recent years. A detailed critique of progress to date, in implementing the *National Health Strategy* and recommendations to resolve many of the issues are explored in a recent report, commissioned by Congress and completed in October in 2005.<sup>4</sup>

This document represents a number of the key concerns of Congress, in particular, **the dominance of recent investment in private healthcare and the implications of continuing shortages in physical and manpower capacity for reform and expansion of the public health service.** Congress does not believe the focus of investment in private healthcare will provide greater access to, or address the current deficit in, public health service provision for those who cannot afford private care **on the scale that is required, or, that the continued development/ evolution of the already existing two-tiered health service is desirable.** The implications of the current, purely private sector investment programme, without a parallel/equivalent investment in the public provision of health services are very serious.

The crisis, arising from bed shortages, continues to undermine the efficient running of all areas of the public health service. The legacy of the cutbacks of the 1980s has not been addressed despite significant growth in healthcare demand, a marked increase in population and new developments/treatments for many conditions.

**There are clear, and ever increasing, bed shortages, in both the acute and non-acute sectors, and this is further exacerbated by the severe lack of capacity in a range of health services at community level.** In addition the current inequitable/ unequal dimension to our public health service is further demonstrated when one considers such things as access to service, geographic area and input from the voluntary sector in order to meet the needs of an ageing population.

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<sup>4</sup> *The Health Report* by Professor Dale Tussing & Maev-Ann Wren - November 2005

The priorities of the next NDP should focus on ensuring **the implementation of the *National Health Strategy* before the end of 2011**. The implementation of this strategy must provide for:

- increasing acute bed capacity in a targeted manner, leading to a minimum of 500 acute additional beds each year;
- an increase in our non-acute bed stock (covering continuing care, rehabilitation/recuperation) by a minimum of 700 beds per annum until 2011;
- the phased implementation of the *Primary Care Strategy* through the capital/current funding of 60 teams per year;
- the continuation of targeted capital/current funding with regard to the full range of disability services.

### **Standards**

The significant investment required to deliver more comprehensive health services must take account of the future needs for, and ongoing development, of standards. These standards must be based on open and transparent systems which ensure high quality of patient care are available regardless of the service provider.

## **Care Infrastructure**

Healthcare is an important part of a broader need for Care services for **children, people with disabilities and elderly people**. Congress has proposed a comprehensive, integrated **National Care Initiative**, comprised of a set of recommendations which identify those aspects of the care infrastructure which should be prioritised for more investment and planning over the next decade.

The Initiative calls for the transformation of the current fragmented approach to a broader strategic framework incorporating *policy development, assessment of need, development of standards of care, enhancing competencies and qualifications of manpower, funding and governance*. A holistic and integrated approach is needed to ensure the development of Care services, on the scale that is required in the

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medium–long term. The National Development Plan is an appropriate vehicle to tackle this investment need in a prioritised and planned manner.

Significant investment is needed in the medium to long term, to support the development of such an Initiative in respect of (i) the physical infrastructure requirements of adaptation to homes (*home care - people with disabilities/elderly people*) and centre-based care (*childcare/creche, day-care, respite care and residential care*) and (ii) the manpower-related skills and education infrastructure to support the delivery of high quality, standards- based services.

Similar concerns relating to healthcare arise in the provision of the additional care required. Priority over the period covered by the next National Development Plan needs to be given to the *physical* and *manpower* requirements (i) to create and support a minimum of an additional **100,000 childcare places** to support the participation of women and parents in employment (and education & training) activities and, (ii) **to implement the provisions of the Health and Disability Strategies and tackle the long-standing waiting lists for care services for people with disabilities and older people.**

The central issues of *access* and *affordability* are not being addressed within the current investment focus on the private sector. Congress is not persuaded that a market based solution is appropriate to meet the central needs of a National Care Initiative. In fact, Congress considers that caring as a whole will have to achieve the status of a ‘public good’ in order to ensure comprehensive, high quality, coherent services are put in place.

## Social Inclusion

Congress believes the recently published NESC Report - *The Developmental Welfare State* - should be regarded as the primary influence on the overall objectives and approach of a new National Development Plan (and National Action Plan on Poverty and Social Exclusion - the focus and investment priorities in these Plans should compliment each other).



The conceptual framework of the NESC Report captures the experience of many affected by poverty and social exclusion. A radical new approach, based on improved income support, access to improved services and greater facilitation of workforce participation, is set down in recommendations of the report aimed at improving living standards and quality of life for those currently experiencing exclusion

Congress believes the longer-term approach of the National Development Plan provides the opportunity for the sustainable investment in Human Resources, Services and Physical infrastructure, that is so necessary in so many disadvantaged communities, as well as by recognised disadvantaged populations (e.g. many children, lone parents and people with disabilities).

Congress endorses the current strategic approach<sup>5</sup> to develop Social Inclusion measures through:

- Facilitating participation in employment
- Minimising risks of exclusion
- Helping the most vulnerable
- Mobilising all relevant bodies to achieve improvements in respect of
  - o Educational Disadvantage
  - o Healthcare
  - o Housing and accommodation

Congress also wishes to emphasise the necessity for a greater focus on investment opportunities

- (i) to support integration of migrants in order to stem the potential for the growth of racism,
- (ii) to support the education, training and integration of people who have been made redundant and in low-paid jobs.

In the current buoyant economic climate the requirement to assist the groups currently excluded should be recognised and appropriately supported.

The investment priorities in respect of this agenda need to focus on:

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<sup>5</sup> National Anti-Poverty Strategy.

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the development of better quality, appropriate and tailored service provision at the most appropriate (local) level. Additional investment is specifically needed in respect of Education, Labour Market and Health services i.e.

- improving adult education deficits, specifically in relation to literacy and numeracy deficits;
- developing life-skills/learning capacity, job seeking skills and employment-related training;
- developing work placement/experience opportunities;
- providing childcare support and support for other forms of care (people with disabilities, care of older people) as required;
- providing healthcare supports, as required.

(ii) Reviving and supporting the development of areas-based strategies to build well-resourced cohesive and functioning neighbourhoods including:

- re-generation of housing and physical environment with a view to developing integrated, not ghettoised, communities;
- development of greater accessibility in the built environment and in communication systems to incrementally improve the participation of people with disabilities in accordance with the equality and disability Acts, including accessible employment, goods and services;
- development of local economic activity, including supporting local social economy initiatives;
- developing sports, arts, leisure and other occupational resources in local communities;
- tackling the abuse of drugs and alcohol which is currently ravaging many urban and rural communities;
- consideration of the development of specific zoning/planning criteria for (living) Communities Space, similar to that developed for business purposes i.e. the concept of integrated 'village' environments similar to the existing plans for a Legal Quarter or the Digital Hub in Dublin.

## Conclusion

Congress wishes to see the level of state investment the new NDP increased to more than five percent of GDP. Congress has also proposed there be a greater focus on investment in public transport, with the emphasis on integrated well-funded urban transport

Congress is urging greater and more coordinated investment in education and in supporting strategies aimed at upskilling the existing workforce, with the emphasis on those who have had least educational and training opportunities

In the context of the need to redress the imbalance of investment in social development in the medium term, Congress is seeking to prioritise investment in the health and social care of children, people with disabilities and eldercare as well as in measures to address the disadvantage experienced by many Irish citizens and migrants in this country.

Congress believes there is no financial obstacle to this NDP being both increased in size and being financed by the Irish taxpayer, because the public finances are robust and the projects should generate large social and economic returns. Congress believes that the structures and systems under EU guidelines of previous plans, with consultations, should continue to be adopted.

There is a credibility problem with many state investments and indeed large current public spending projects. We advocate that the methodology of assessing projects under this NDP be greatly improved with the employment of more professionals within the public service, who will undertake cost-benefit analyses, transparently, of all such projects and that all projects be fully scoped, at an early stage.

Congress believes that the total investment on new the NDP should be considerably increased over the current NDP. There is an extremely benign economic climate, with regard to increased public investment. This investment is needed. It will generate strong returns and it will improve economic efficiency. The correct choice of public investments will improve the quality of living standards, life chances and could and should be redistributive.

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The philosophy underpinning the new NDP must be based on three foundation stones – sustainable development, fairness and equity, and encouraging greater demographic balance between the Eastern region and the rest of the country.

All public contracts under the NDP, down to the smallest sub-contractor, in physical infrastructural investment or service type contracts, should specifically recognise trade unions and the going rate for the job.

A key priority in framing the new NDP is to ensure that strong institutional structures are in place and so Congress urges the establishment of a new centre of professional expertise and a State Holding Company. There has been growing international recognition of the need to protect strategic and/or state-owned assets and the latter would assist in this regard.

Congress favours a coherent policy on the decentralisation of public services, but it must be by agreement with unions. Congress made a number of policy suggestions on R&D, industrial promotion and detailed points on a number of economic sectors, including transport and energy. The protection of the environment is of increasing importance and our emphasis on public transport will assist in this shift.

The ten year Social Partnership programme provides a longer timeframe in which to ensure that programmes of social housing are effectively executed. Congress also supports the all-island development of infrastructure and believes that tendering for Cross-Border projects should incorporate measures to reduce inequalities in all communities, areas, etc. Initiatives aimed at greater Cross-Border cooperation between companies, with greater business links and training, need to be supported in this plan.

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