

5th Annual All Island Infrastructure Conference Investment Conference – Investing in Infrastructure for a Modern Economy

DRAFT SPEAKING NOTES

- Good afternoon - before I begin, I'd like to thank Owen for his invitation to speak at this Infrastructure Investment Conference here today. You might wonder why I accepted an opportunity to speak on infrastructure issues, as this is not my normal portfolio.
- The main reason why I am here is that I firmly believe that infrastructure investment is closely linked to economic growth. This is something that has long been recognised here in the Republic but is less well appreciated in Northern Ireland.
- This brings me on to the theme of my speech today – the role of infrastructure investment in developing a competitive economy. Why is this important for the Northern Ireland Executive? It's important because our overarching priority is supposed to be development of a dynamic and innovative economy as enshrined in our Programme for Government.
- Our Programme for Government was published over two years ago and I believe that when you look at the progress we've made in developing our economy's long term growth potential since then, the outcome might be judged rather disappointing.
- Putting aside the fact that a global economic downturn has had a highly detrimental effect on the local economy, I don't think we have made much progress in tackling our underlying structural weaknesses.
- If I ask myself what have we achieved as an Executive in terms of policies to promote economic growth, I can point to a number of short-term demand-side focussed initiatives.

- We have frozen domestic rates; we have delayed water charges; and we have introduced fuel subsidies for poor households. These measures have served as an immediate stimulus during a difficult time and demonstrated the Executive's ability to act swiftly in response to the economic downturn. But I would argue that we haven't done enough to advance long term economic growth. We need to ensure that we don't lose sight of the importance of improving the supply side of our economy.
- Before I set out some thoughts on how we might promote long run economic growth I think it would be useful to highlight some challenges facing the Northern Ireland economy as a whole, but particularly our construction sector.
- As I'm sure you are all well aware the Northern Ireland economy relies heavily on the public sector for jobs and spending. With public expenditure settlements undoubtedly highly constrained over the next few years; it is going to present a real challenge – not only for me as Finance Minister but for the local economy as a whole. The impact on our local construction sector is also likely to be serious – particularly when you consider that more than 40 per cent of construction turnover can be attributed to public sector contracts.
- The second challenge that Northern Ireland and indeed the rest of this Island will have to address is the consequences of the implementation of the Irish Government's National Asset Management Agency. NAMA will clearly have direct implications for our local banking sector but its effects will also be felt in the wider economy on both sides of the border. Our banks may become ever more conservative in their lending practices while the management of transferred NAMA assets may create a degree of instability, especially in our property and construction sectors.
- The third challenge for Northern Ireland that I would like to flag up relates to the lack of a 'foundation stone' for economic growth. Northern Ireland is a small market of only 1.7 million people, and indeed with only 6 million people on this island, I believe we need to focus economic policy on becoming an export-oriented economy – this is where the

need for world class infrastructure networks becomes important. Without an efficient infrastructure system, our economies cannot hope to address the global competitive challenge.

- Obviously policy focus should not be solely on investment in infrastructure. There remains a pressing need to address concerns such as education deficits; R&D and innovation promotion; and retaining a flexible skilled workforce.
- Indeed, this was an issue explicitly recognised by Richard Barnett in his recent Independent Review of Economic Policy in Northern Ireland. He highlighted the importance of a range of growth drivers, amongst these were infrastructure investment in areas such as telecommunications, energy and transport. A highly efficient infrastructure is clearly a key factor in terms of enhancing competitiveness and attracting Foreign Direct Investment.
- Investment in such infrastructure should also produce mutual benefits across this island. An obvious example of this is the completion of the M1 motorway / A1 upgrade in 2011 which will ensure that the eastern corridor road infrastructure connecting our two Capitals receives a much needed boost in terms of location attractiveness to FDI.
- Indeed, we need to ensure that we identify and exploit all such areas for mutual benefit – be it energy, transport, road or telecommunications. In an increasingly constrained financial environment we will need to ensure that we invest smartly and squeeze maximum benefit from our investments. In this context North / South infrastructure cooperation can deliver real advantages for both jurisdictions.
- I already mentioned the tight public expenditure environment that I anticipate in the coming years. My counterpart in Dublin has already had to make difficult decisions and I have no doubt that the Northern Ireland Executive will be faced with tough choices of our own.

- Moving forward the Executive will begin to develop our new Programme for Government. Our current number one priority is '*growing the economy*' but as I have already mentioned, I personally worry about how we have actually delivered on this. It is difficult to see any significant change in policy focus toward economic growth over the last few years. It is imperative that we invest in a manner that generates enduring and tangible economic returns – this includes many of the areas I have already mentioned such R&D and innovation; mathematics and technology skills; physical infrastructure; and also the lessening of regulatory burdens on business.
- Next time, in a tighter financial environment, the Executive will need to take some difficult decisions about economic policy – which may mean moving resources from other less important areas. Rest assured, however, that I personally will do all I can to ensure that the economy remains firmly as the number one priority in Northern Ireland.
- In closing, can I say that I think it is clear that both governments on this island recognise the importance of infrastructure investment in paving the way back to economic growth. It is clearly a necessary condition to improving our competitiveness.
- Our Governments have a responsibility to invest public money in the right areas to deliver a modern and prosperous economy in the future – this is how we maximise returns from tax-payers investment. I believe that investment in infrastructure and economic growth are intrinsically linked. A competitive, efficient infrastructure in both our countries will require a degree of cooperation and coordination between Dublin and Belfast. I am committed to taking this agenda forward to deliver tangible benefits for both jurisdictions.
- Thank you.