

# **Comprehensive Study on the all-island economy**

## **Executive Summary**

### **Introduction**

Though economic development in both parts of the island has sometimes followed different paths, both Ireland and Northern Ireland are on the cusp of an economic transition that will see them move to a new 'innovation oriented' stage of development. In making this transition successfully, both economies face similar challenges related to the increasing pace and intensity of global competition. In such an intense environment every source of competitive advantage must be exploited. This report explores how all-island collaborative action can be one such source.

### **Future Vision**

The vision must be of an island characterised by a strong competitive and socially inclusive island economy with strong island-wide economic clusters whose development is not impaired by the existence of a political border. The aim of policy should be a world-class all-island economy which manifests itself in comparable levels of economic dynamism and performance in both parts of the island. For Ireland this means consolidating its position as one of the world's most globalised economies. For Northern Ireland it means developing the capability to become more fully integrated into the global economy. For both, it means building up the competitive strengths, particularly in the areas of infrastructure, R&D and in the areas of skills formation and innovation which provide the edge in securing a strong position in the knowledge economy of the future. Some of the steps to achieve this vision will best be taken by each jurisdiction. There are other respects in which collaboration or concerted action by both, working together, will be needed. It is with the latter that this study is concerned.

### **Economic basis for all-island collaborative activity**

The report identifies collaborative actions to address the competitive challenges facing both parts of the island and the economic problems that persist as a result of the border with these being pursued where they are cost effective and deliver all-island benefits.

From a purely economic perspective, appropriate areas for Government action arise where there is market failure or where the Government is involved in the provision of public goods, such as infrastructure, or public services such as health and education. The case for an all-island approach is made where the market failure arises from the existence of the border or where the public goods and services could be more efficiently provided on a co-ordinated basis.

The gains from such collaborative action will be all-island benefits and will lead to mutual advantage. However, it is recognised that in some cases, the

incidence of the economic gains may be variable in different regions or across both jurisdictions within an overall context of bringing benefits to the island.

### **Areas for collaboration**

The study identifies a number of areas where co-ordinated policy intervention can prove beneficial to the citizens in both jurisdictions on this island. These include

- interventions to support research and development and the development of the knowledge economy
- interventions in the education and training systems to enhance human capital
- enhanced co-operation in the provision of health and educational services
- enhanced co-operation and co-ordination in the provision of key infrastructure including energy, transport and telecommunications
- co-operation on trade and investment promotion
- enhanced co-operation in support of enterprise and business development
- improved regulatory environment (including fiscal measures).

### **Infrastructure**

Both Governments are undertaking massive investments in infrastructure. Taken together, total North and South investment in infrastructure could amount to over €100billion/£68billion over the next ten years. This presents an unprecedented opportunity to work together to create world class infrastructure and maximise returns on these investments.

Co-operation on infrastructure will deliver:

- more efficient planning
- more efficient, joined-up delivery
- better value for money
- more balanced regional development, addressing border effects
- economies of scale in public investments
- better deals from financial markets

### *Spatial Planning*

Co-ordinated spatial planning and development on the island of Ireland facilitating better integration between the considerable capital investment anticipated over the coming years.

- Develop a new framework for collaborative action between the two spatial planning strategies on the island.

### *Roads*

An integrated and regionally-balanced road network, enhancing key routes between the major urban centres on the island. High level goals include

- Completing the upgrade of the critical Dublin-Belfast route
- Examining the future of strategic road links, including the routes from Belfast and Dublin to the North West
- Providing significant funding for cross-border routes under Transport 21 and NI Investment Strategy plans

This is a key prerequisite for the development of thriving cross-border economic corridors, especially in those parts of the island that have historically enjoyed less economic success, such as the border counties and the North West.

### *Rail*

An integrated rail network throughout the island can further underpin economic growth.

- The model for co-operation in rail services is the Belfast/Dublin Enterprise Service. The two Governments are committed to reviewing both the frequency of services and journey time of this key service.

### *Airports and Ports*

An all-island approach to developing ports, airports, air routes and access – while promoting competition - can result in more effective strategic planning, better investment decisions and an improved service to business and consumers.

- The two Governments have jointly committed €15 million to the development of the City of Derry Airport for the benefit of citizens throughout the North West.

### *Energy*

Both Governments face an increasing challenge to provide a reliable, secure and competitively priced energy supply on the island for businesses and consumers alike. Developing this supply will be key in maintaining and enhancing competitiveness and economic growth. High level goals are to

- Increase electricity generating capacity
- Enhance interconnection of the electricity and gas supply systems, North and South (including enhanced East/West interconnection)
- Enhance gas storage facilities on the island
- Promote renewable energy including significant progress on concepts such as micro-generation, bio-fuels and solar, marine and wind generation
- Co-ordinate regulatory activity
- Address climate change and emissions policies

- Promote energy efficiency on an all-island basis in 2007.

### *Telecoms*

Both Governments are working together to stimulate competition and investment in high speed telecoms on the island to help deliver a number of high level goals, including

- securing competitively priced cross border telecommunications services;
- increased international connectivity links between the island and North America and Europe; and
- improving accessibility in all areas, but with particular attention to rural & marginalised communities, to advanced communications and information technologies.

## **Science, Technology and Innovation**

Given the loss of competitiveness in traditional industries and the low current spend on R&D compared to many competitor economies, there is an urgency attached to making the knowledge economy a reality in Ireland, North and South. Accordingly, the opportunity afforded by cross border collaboration in this area should be eagerly grasped.

### *High level goals*

- Promote high level collaboration on the island to help off set the limitations of scale in both jurisdictions and provide a stronger base from which to develop international contacts.
- Connect the island's research community to international research networks.
- Develop greater policy coherence in science, technology and innovation
- Stimulate all-island collaboration in R&D and secure the optimal exploitation of the competences in research across the island

### *Actions*

The next Irish Government Call for Proposals for the establishment of a new Centre for Science, Engineering and Technology will be made on an all-island basis;

Establishing a new All Island scheme to promote and support increased participation by SMEs on a cross border basis for the mutual enhancement of the draw down of EU funds.

Establishing arrangements so that companies throughout the island can develop collaborative relationships with research centres in the other jurisdiction in areas of mutual benefit.

All island mapping study of centres of research and technological development to facilitate greater collaboration between the institutions including technology and knowledge transfer

## **Trade, Tourism and Investment Promotion**

### *High Level Goals*

- Maximise support to companies in foreign markets through pooling of resources overseas
- Develop the island's attractiveness to international investment by working together on enhancing the island's business environment
- Secure maximum collaboration in export promotion.
- Enhance the attractiveness of the island as a location for inward investment through collaborative action

### *Actions*

Opening up of trade missions whether sponsored by Enterprise Ireland or Invest NI, to companies across the island.

Making the services of the overseas offices of Enterprise Ireland and Invest NI available to companies from across the island.

Enhanced collaboration between IDA and Invest NI in promoting the island for inward investment with an initial focus on collaboration around the business operating environment so as to enhance the attractiveness of the island for Foreign Direct Investment and other areas with potential for mutually beneficial collaboration, such as research, identifying best practice and sharing market information, to be further explored.

## **Labour Market and Skills**

The changing nature of the global economy means that significant further investment is needed in the island's human capital. While much of this investment will be undertaken independently, North and South, there are areas where a co-ordinated response will produce better results.

### *High level goals*

- Enhance the efficiency of the island's labour market and ensure that sufficient and appropriate skills are in place to encourage sustained growth
- Develop greater policy coherence, underpinned by all-island skills mapping and forecasting
- Maximise opportunities for co-operation in further and higher education programmes on a cross border basis

#### *Actions*

Both skills expert groups working together to ensure that the evidence is available to underpin policies which will deliver the necessary workforce skills across the island;

Optimise the utilisation of the skills pool on the island, particularly in high growth sectors such as ICT and financial services.

Employment services North and South exploiting existing technology to improve information and access to job opportunities on an all island basis.

### **Enterprise and Business Development**

#### *High Level Goals*

- Stimulate entrepreneurship and start-ups on the island through all-island business/SME support programmes
- Create all-island business networks and clusters

#### *Actions*

Networks Conference taking place in January 2007 to develop an all-island approach to business development through knowledge exchange;

Targeted Skillnets Learning networks to be opened up on an all-island basis

Establishing a Cross-Border Entrepreneurship Initiative promoting entrepreneurship, business linkages and knowledge-sharing, involving Third Level colleges on both sides of the border.

### **Fiscal and Regulatory Issues**

The study recognises that fiscal issues are an important factor in economic competitiveness. Achieving the right balance between competitive taxes and adequate provision of public goods is a challenge faced by both Governments. In Northern Ireland, attention is focused on the need for fiscal measures, including a reduction in corporation tax, to stimulate economic growth. The study notes the recent recommendations from the Assembly's

sub group on these issues and acknowledges that, following on from recent political developments, further discussions are planned at Government level.

Irrespective of the outcome of those discussions, there are many important steps which can be taken. For example, on regulatory issues, both Governments are continuing to work together to address the differences in the regulatory environment in order to develop a truly all island economy.

## **Health and Educational Services**

The study outlines that co-operation on both the planning and delivery of public services and infrastructure, such as in health and education, can result in more efficient use of new facilities, better value for money, more balanced regional development and improved access to services and facilities throughout the island. It recommends that both Governments should explore opportunities for all-island co-operation in these areas.

## **Conclusions**

The report sets out a clear and strong economic rationale for all-island economic co-operation.

Clear high level goals to work towards have been established and the first steps towards immediate implementation of these are being progressed with a range of initiatives in the key areas.

The two Governments, along with key stakeholders, will now jointly develop a more detailed programme of work in each of the areas, including implementation plans setting out timelines and responsibilities for delivery. They will also scope out further opportunities for co-operation in the education and health sectors.

The two Governments look forward to this work forming an important part of the agenda of the restored institutions.