

**Address of Minister for Finance, Mr Brian Cowen, TD, at
Launch of Transport 21**

Tuesday, 1st November 2005

Introduction

In last years Budget speech, I said the Government was prepared to consider a 10 year infrastructure investment strategy to be prepared by the Minister for Transport. The launch of this ten year capital investment framework marks the outcome of this process. It represents a massive and necessary commitment of resources to a key area of the economy. The Framework involves investment of over €34 billion in current prices in the 10-year period 2006 to 2015. Of this, about €26 billion will be direct Exchequer funding and about €8 billion will be through Public Private Partnerships, of which €2 billion will be toll based road investment. At its peak, annual investment in transport under the framework will be over twice current levels.

The Minister for Transport and I have engaged extensively on the preparation of this landmark framework. From the outset both my Department and I acknowledged that investment in transport infrastructure was a priority. Indeed this priority is already evident in the accelerated level of provision we have made for this area of Government activity under the present National Development Plan.

Assumptions underlying Transport 21

From an economic and budgetary viewpoint, the Framework is predicated on the following key assumptions:

- The economy will grow over the medium term at close to its potential rate; this implies an average real growth rate of around 4 ½ %.
- Maintenance of prudent management of the public finances fully compliant with the Stability and Growth Pact.
- Overall capital investment at close to 5% of GNP each year but with the flexibility to increase investment above this level in particular years to accommodate the profile of the transport envelope.

More generally before I could agree a further major acceleration in transport investment I had to satisfy myself in regard to a number of factors.

- Firstly was it warranted and would the economic return justify it?

- Secondly could the Framework be delivered whilst maintaining sound and sustainable public finances?
- Thirdly were the costings as robust as they could be for a 10 year programme involving projects of the scale envisaged?
- Finally could I have the necessary assurance that Value for Money would be achieved through the institution of best practice as regards project appraisal and management?

I am glad to say that after due scrutiny by reference to these issues I was able to agree the programme.

Necessity of Investment

In my view we simply must embark on this ambitious programme. Getting our goods to the market and making sure our citizens can get to work require an effective road and public transport system. Top class infrastructure is vital to Ireland's future competitiveness; despite huge public investment in infrastructure in the last few years, Ireland's remarkable economic growth is putting our infrastructure, especially our transport infrastructure, under strain. Unless we make further improvements, our competitiveness will be eroded. All demographic projections indicate major further population growth. We must plan now for a first class transport infrastructure that can service these levels of population.

I anticipate that there will be a strong economic return on the investment. In its Mid-Term Review of the NDP in 2003, the ESRI found that investment in roads and public transport delivers a significantly positive rate of economic return. The productive capacity of the economy will be enhanced into the long term as a result of this programme.

Better regional development is a major objective of Government policy.

If we are to spread growth more widely then we must invest to support the National Spatial Strategy and in particular in the transport links between the NSS Gateway Centres. Equally we must underpin the central role of the Greater Dublin Area. The unprecedented level of investment in public transport proposed for the GDA will enable it to further develop in a planned way that will improve the quality of life of its citizens.

Affordability

The investment has been planned on the basis that the economy will grow close to its potential over the medium term and that the successful, prudent management of the public finances will continue to generate the flows of revenue to sustain this and other public investment. I would stress that this is an imperative. The fiscal discipline this Government has followed has meant that the public finances are in a robust condition and we can embark on this investment with confidence. The 10 year investment framework will see the overall investment ceiling of 5% of GNP increase in some

years of the Framework, but this will be manageable. Some significant projects will be done on a PPP basis which will involve the spending being spread over 20 or more years. The ability of the Government to fund the framework is the result of the good management of the public finances and of the economy in recent years. I would also stress that we will deliver this framework within a stable budgetary regime whilst ensuring necessary provision for other key areas such as Health and Education amongst others.

Robustness of Costings

I know that exhaustive work has been put into the costings by the appropriate agencies and I have received assurances from them via the Department of Transport as to their robustness. I also accept that in a programme covering 10 years it will be difficult to provide for all eventualities but there are project level contingencies in the costings. I expect all the Agencies to deliver the programme in full, on time and within the budget of €34.4 billion.

Value for Money

In my recent speech on this issue I underlined the principle that every euro of taxpayers money must be expended in a Value for Money way. In a programme which costs in excess of €34 billion, this principle is paramount.

I note with approval that the recent record shows a number of transport projects coming in on time and on budget and by reference to the final contract price. All projects in the framework will be appraised and implemented in line with my Departments' Capital Appraisal Guidelines and the additional Value for Money initiatives as set out in my recent speech. There will be intensive system of monitoring put in place and this will be an important factor in ensuring the achievement of value for money. In addition, certain major projects will be brought before Cabinet to get the specific approval of Government before they can proceed to the contract stage. This overall framework in tandem with the much enhanced project management skills in the agencies provide me with reassurance that Value for Money will be provided.

Summary

The 10 year investment framework we are unveiling to-day is a vote of confidence in Ireland's future. It will be a key part of the foundation for long term prosperity for this and future generations. It will be delivered within a stable budget framework which will also allow for continued investment in other key areas such as Health and Education. We have provided the funding and it is now up to the implementing agencies to deliver. I am confident that they will do so and that by the end of the next decade our transport infrastructure will have been transformed.

Finally, the next National Development Plan will take on board this investment and that plan will set in more detail the investment programme across the whole of Government for the period 2007 - 2013.

Thank you