

# Building a Better Future: New Horizons for Northern Ireland 2008-2018

After the announcement last October of a 10 year Investment Strategy worth an estimated £18 billion, Northern Ireland is poised for unprecedented growth. The province's largest ever infrastructure programme is set to boost the prosperity triggered by the restoration of peace a decade ago, with £5.6 billion investment anticipated for the next three years alone. Nick Johnstone spoke to leading members of the region's business world who gave Northern Ireland a bright forecast for 2008.

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The Northern Irish property boom reached a peak half way through 2007, but infrastructure has long been under funded, lagging behind other NUTS1 areas after being torn apart by the Troubles and awaiting devolution, which arrived last May. The economy has nonetheless enjoyed steady growth for over a decade. Services and tourism sectors have benefited from increased consumer spending power generated by property, and restored peace has encouraged visitors back to Northern Irish shores.

"The economy really shook itself off after 1995," said Aidan Langan of Enterprise Equity NI. "There was a great degree of confidence instilled and a lot of economic activity grew as a result. Immediately after the end of the troubles there was so much optimism that things bubbled away nicely."

#### The groundwork for prosperity

Northern Ireland's rusty infrastructure is now being brought into line with the region's existing advancements. Public Private Partnerships (PPP's) are planned to polish up new pillars of investment, including healthcare, roads, schools and waste management. This move towards a modern economy driven by business will replace the province's traditional reliance on the public sector (which accounts for over 60% of the economy).

Ken Rutherford, a partner at C & H Jefferson, one of Northern Ireland's largest commercial law firms, said the original problem was a huge under spend on infrastructure in Northern Ireland. "That is recognised now by everyone," Mr Rutherford said. "There is a real focus on it, and there are huge dividends to be reaped because of peace and devolution. If you're looking for inward investment your infrastructure needs to be right."

"I think, given the lengthy delays leading up to devolution, had it not occurred then confidence would have drained from Northern Ireland. The fact that it has happened, that it is now up and running, and the Investment Strategy has been announced, shows what the potential is."

In the wake of these new proposals, an alliance has been formed between Mr Rutherford's firm C & H Jefferson, and the London-based Shadbolt & Co., which specialises in infrastructure projects. This is an early move in the burgeoning links between the London business community and the Northern Irish market

The strategy is being hailed as the most ambitious investment project Northern Ireland has ever seen. Mr Rutherford said: "If half of these projects come off, the landscape of Northern Ireland will be completely different. All of the developments will generate investment, work contracts for builders, jobs for tradesmen and so on, because the projects are huge."

As just one example of this modernisation, Northern Ireland has seen the first drinking water PPP in the United Kingdom. The project is hoped to upgrade the region's water treatment works and increase capacity from 295 to 423 million litres per day. Driven by the Water Service in conjunction with the Strategic Investment

Board Ltd, this is a partnership between public and private that has appropriate risk sharing at its core, and demonstrates Northern Ireland's ongoing development.

#### Cooperation with the South

By aligning itself with the Republic of Ireland, Northern Ireland hopes to ensure more efficient planning and joined up delivery of key projects, resulting in better value for money, economies of scale in public investment and better deals from financial markets. Kara Flannery director of Enviro Consulting, one of the longest established environmental consultancies in Ireland, underlined the importance of a likely increase in North-South cooperation for economic development and commercial success. "The recent introduction of the Single Electricity Market alongside ongoing work to enhance the north-south and east-west electricity interconnection, represents a key step in the development of a competitive cross-border energy industry," she said.

"Government intentions to prioritise more balanced regional development and focus on cross border links, such as the Belfast-Dublin corridor, should provide a vehicle for improved economic development and future business opportunities. EU, British and Irish Government funding for cross-border cooperation over the coming few years will enhance development projects in the border counties, to which local companies can contribute.

"There is a need for change in Northern Ireland to allow a growing private sector to contribute to the productivity necessary to close the wealth gap between the region and the rest of the UK, and also the gap in relation to the Republic of Ireland."

#### Local industries ripe for investment

The development of local industry will be another key tenet of the Northern Irish investment plan. Kara Flannery said: "It is expected that, as much of the attention of the larger UK-wide construction firms will be focused on the 2012 Olympics, there will be opportunities for smaller, local firms to benefit from the forthcoming period of development, including the opportunity to forge partnership approaches to working."

20 years hence, manufacturing and industry

were at the heart of local business in Northern Ireland, but these have been on the wane for some time with the demise of the shipyards, the linen mills and other mainstays of the region's industry. Belfast's Titanic Quarter once saw the manufacture of the most famous ship in history, but now it is being transformed into a blue-chip technology district, with offices, museums, residential and retail areas.

Mark Kelly, Technical Manager at Enviro Consulting's Belfast office saw this type of urban development as the focal point of recent inflow: "Increased investment since the signing of the Good Friday Agreement has largely been focused in and around Belfast, including considerable development both to date and planned in the city centre, for example Victoria Square, the riverside area (Waterfront Hall) and the Titanic Quarter."

Northern Ireland's potential for inward investment was reinforced with a visit last month by Ian Paisley and Martin McGuinness to the White House. For Ken Rutherford, this was an unheralded step, and one that can only be good news. "It's all about business and inward investment," he said. "The agenda has moved on. The USA and others now take cooperation and devolution here as a given – without that, nothing is going to happen."

#### No escape from slowdown

In spite of Northern Ireland's current rosy cheeked optimism, bolstered by brand new potential for investment, the slowdown has taken chunks out of transaction volumes, which peaked in June, and debt is harder to come by as banks begin to show increased caution. "Those that are happening are high quality transactions," said Ken Rutherford. "There just isn't the same volume as before. There were two halves to 2007 – up to June it hit a peak and it has slowed relatively since then. So whether you're a solicitor, accountant, bank, property developer, or general investor in property, everyone's just looking at the market at the moment waiting to see how it's going to pan out over the next six months.

"The infrastructure of Northern Ireland needs to catch up, and potential investors might be put off by that, but compared with other countries, the new draft Investment Strategy will in itself attract Europe-wide investment. It's a place to do work essentially."

#### Environmental concerns

As expansion continues, so too does an increasing awareness of the problems of climate change and sustainability measures. Kara Flannery hoped that a new agency with sufficient independence would ensure that economic growth does not compromise environmental issues. "Government action must create an economic environment that attracts international companies and encourages local business to develop into the export market," she said. "However this must be tempered with an increased focus on environmental sustainability – there is an overwhelming need to ensure a system of governance sufficiently robust to resist pressure to put economic growth above everything else, including the environment."

In the short to medium term, Enviro Consulting expects an increased need for specialist expertise in areas such as carbon footprinting and corporate responsibility management. Gary Grantham, director of due diligence and transaction support services at the company did not think Northern Ireland would be exceptional in this, however. "Inward investors are unlikely to experience any greater or lesser environmental pressures than for the rest of the United Kingdom," he said. "The pace of environmental improvement is likely to generate growing opportunities for environmental technology businesses, particularly in waste, waste water management and renewable energy.

"New business will experience similar environmental pressures to those felt in Great Britain or the Republic of Ireland," said Ian Nuttall. Senior Consultant at Enviro Consulting's Belfast office "In some cases environmental issues may offer both local and inward investors particular opportunities in a largely rural country, including development of renewable energy and environmentally-based tourism."

Environmental pressures and an economic slowdown could have put the brakes on a Northern Irish economy that already suffers with its clunky infrastructure. But since devolution and the ministers' visit to the USA, as well as plans for unprecedented investment in the region, spirits are soaring. As the province moves away from public sector dependence, foreign investors will now embrace new projects, creating the opportunity to seal the gap between Northern Ireland and the rest of the UK.