

The capacity conundrum

Last update: 27 April 2016



A growing economy means increased need for office space, housing and infrastructure. Can Ireland meet that demand?

The Ireland of 2016 is much transformed in infrastructure terms compared with the Ireland of the 1990s. However, much of that transformation, in areas such as transport and telecommunications, was achieved before the crisis and with the economy growing again, bottlenecks are affecting some public services. These are not unusual during an economic recovery, but with public investment set to remain constrained, relieving the pressure will be a challenge.

Take the semi-state operator Dublin Bus, whose fleet and budget were cut to match the falling numbers of passengers under austerity measures. Now demand is rising again, but the bus services simply cannot grow quickly enough to meet it.

Passenger capacity is also an issue for Dublin Airport. Because Ireland is an island, its airports play a critical role in the economy, with the routes to London being among Europe's busiest. Google cites the proximity of Dublin Airport to the city and the efficiency of the site as essential to its headquarters, for instance. According to a 2015 Dublin Airport Economic Impact Study, a second runway at Dublin Airport would enhance the connectivity of Ireland, and generate 31 200 jobs and €2.2 billion in gross value added by 2043. Keeping the costs down will be a concern for tax payers

airport development must be balanced with environmental concerns, such as land use, biodiversity, and air and noise pollution

as well as airlines like Ryanair using the airport. Moreover, as local residents point out, airport development must be balanced with environmental concerns, such as land use, biodiversity, and air and noise pollution .

Similar worries surround plans to boost capacity at seaports to accommodate cruise-ship tourism, a sector that the eastern area of Ireland is eyeing with interest. In Dun Laoghaire harbour near Dublin, which used to be a passenger terminal for ferries to the UK, a project to build new capacity berth for cruise ships has attracted some business interest but stirred up protest too, with groups like Save Our Seafront pushing the issue into the political arena. As OECD reports have pointed out, cruise ships can bring revenue but major economic and environmental costs, too. Meanwhile, Ireland's expanding multinational workforce has put pressure on office space and housing supply. As the giant tech companies expand, start-ups are finding it harder to pay the soaring rents for a spot in Silicon Docks. Rents are 12% higher than in 2007, making it one of the most expensive neighbourhoods in the capital. Some are turning to appropriately innovative solutions, like young entrepreneur Graham Barker, who has started his own co-working space on a barge in the docks, right next to the giant tech firms; membership of Dospace.ie offices costs from as little as €50 a month, and in some cases free for non-profit technology start-ups.

Policies to take the heat out of high rents could help, and in May 2014, Dublin City Council gave the go-ahead for a major development of the docklands area that will include new office space and more than 2 500 homes. Nevertheless, the Industrial Development Authority (IDA), which promotes inward investment, reiterated its warning that a lack of suitable office space could detract foreign multinationals from investing in Dublin, losing out on thousands of jobs.

Multinational company PayPal has no problem attracting people to Ireland, but has problems housing them. Its vice president of global operations, Louise Phelan, is asking staff to rent out rooms to new employees. She also points to other capacity issues, such as school places, healthcare and transport needs. "If we can't deliver the aftercare, we can't bring the jobs here," she argues. Ms Phelan also believes that losing investment is a risk. The founders of Web Summit, which for several years has gathered the world's leading IT geeks in Dublin, point to capacity constraints in their decision to relocate to Portugal in 2016.

Clearly, today's knowledge-based businesses are footloose, as are its workers, and constantly kitting up in terms of communications, hospitality, convention centres, accommodation and other support services is essential. Policy makers must lay the ground for this to happen lest Ireland become a victim of its own success. *Claire MacDonald*

Visit www.saveourseafront.net/, www.dospace.ie/ and www.idaireland.com/

References

- Clarke, Rory (2005), “Cruising ahead”, in OECD Observer No 250, July <http://oe.cd/1eA>
- Flanagan, Peter (2015), “PayPal asking its staff for spare rooms in rental crisis”, Independent.ie, 2 October <http://www.independent.ie/business/irish/paypal-asking-its-staff-for-spare-rooms-in-rental-crisis-31575796.html>
- InterVISTAS Consulting Ltd. (2015), Dublin Airport “Economic Impact Study”, April <http://www.daainternational.ie/wp-content/uploads/2015/06/Dublin-Airport-Economic-Impact-Study-April-2015.pdf>
- Patnaude, Art (2015), “Tech workers flock to Dublin’s Silicon Docks”, The Wall Street Journal, 28 May <http://www.wsj.com/articles/tech-workers-flock-to-dublins-silicon-docks-1432822827>