Does Cross Border Commuting Present a Case for North South Cooperation On Housing Policy In The Island Of Ireland?

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Abstract/ Executive Summary

The purpose of this project was to examine cross border commuting patterns in Ireland with particular regard for how these influence the housing market. The different economic circumstances of the two jurisdictions result in different taxation structures, different access to credit (on account of different currencies) and different regulations, any of which could make one jurisdiction preferable to the other for a home-seeker. The effect of price differences between jurisdictions exciting cross border commuting has been noted in Denmark and Sweden, as well as other countries.

The statistical research found that levels of recorded cross border commuting were quite low, generally only significant in the cross border hinterlands of large towns such as Derry and Newry. However, there is reason to believe that this is under-recorded, on account of obstacles to mobility having been removed since data was gathered. Having established the existence of some cross border commuting, particularly in the case of Donegal and Derry, housing policy differences between the two jurisdictions were examined to identify if the presence of a border compromised the objectives of these policies. Policies relating to the housing market, welfare interventions and environmental standards were examined, particularly in regard to how they influenced consumer choice.

Northern Ireland's property tax system of rates and a small amount of stamp duty compared less favourably (from a consumer perspective) to the stamp duty system in the Republic, particularly with regard to prices in the border region. Mortgage interest relief is available to house purchasers in the Republic, but not to those in the North. Regarding planning regulations to maintain environmental standards, it was observed that arrangements in the Republic were more expedient from a consumer perspective, especially if someone wanted bespoke, "one-off" housing. Similar situations were observed in the French/Swiss border.

The incentives presented by the border are attractive to a particular type of home-seeker, and as such cross border commuting is not an egalitarian movement, with a risk of one side of a cross border urban spread becoming gentrified as the other becomes residualised. This would affect regions in the border area heterogeneously in response to local conditions.

It is recommended that both jurisdictions share pertinent information relating to privileges for first time buyers and social housing to prevent abuse in these areas, and that rent relief arrangements are reciprocated for frontier workers. It is also recommended that planning regulations are coordinated (if not synchronised) to prevent displacement of undesirable practices to the other side.

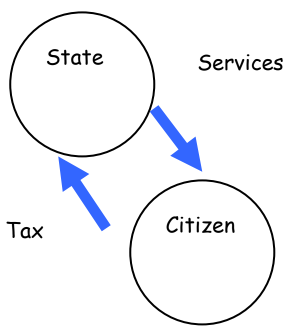
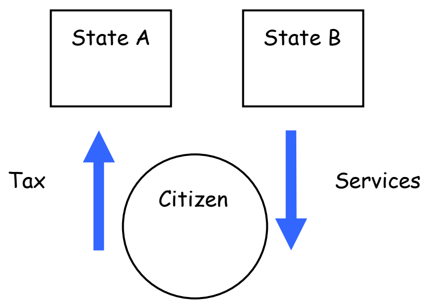
Chapter 1: Introduction

Cross border commuting, the practice whereby people cross state lines in their regular journey between their home and their place of work and study, is a problematic area of economic analysis. Much economic thought presumes the local state to be the local economy, and the economic consequences of working, travelling and living to take place within a single domain of impact- and correspondingly a domain that would be well served by representative government bodies with jurisdiction over the area of economic impact. When there is more than one jurisdiction in an economic area, the differences in taxation, legislation, currency and benefits contribute to market imperfections, which can often be self reinforcing.

Some states guard against such potential problems through border enforcement measures, but members of the European Union who have signed up to the various agreements guaranteeing free movement of workers do not have this option. Furthermore, for historical reasons the Republic of Ireland and Northern Ireland have legal arrangements in place that go even further than the mobility provisions ensured by the European Union. Mobility measures were envisaged with immigration/ emigration in mind, where a worker would arrive in a new state to live and to work, but cross border migration has emerged as an unintended (though not necessarily undesirable) side effect.

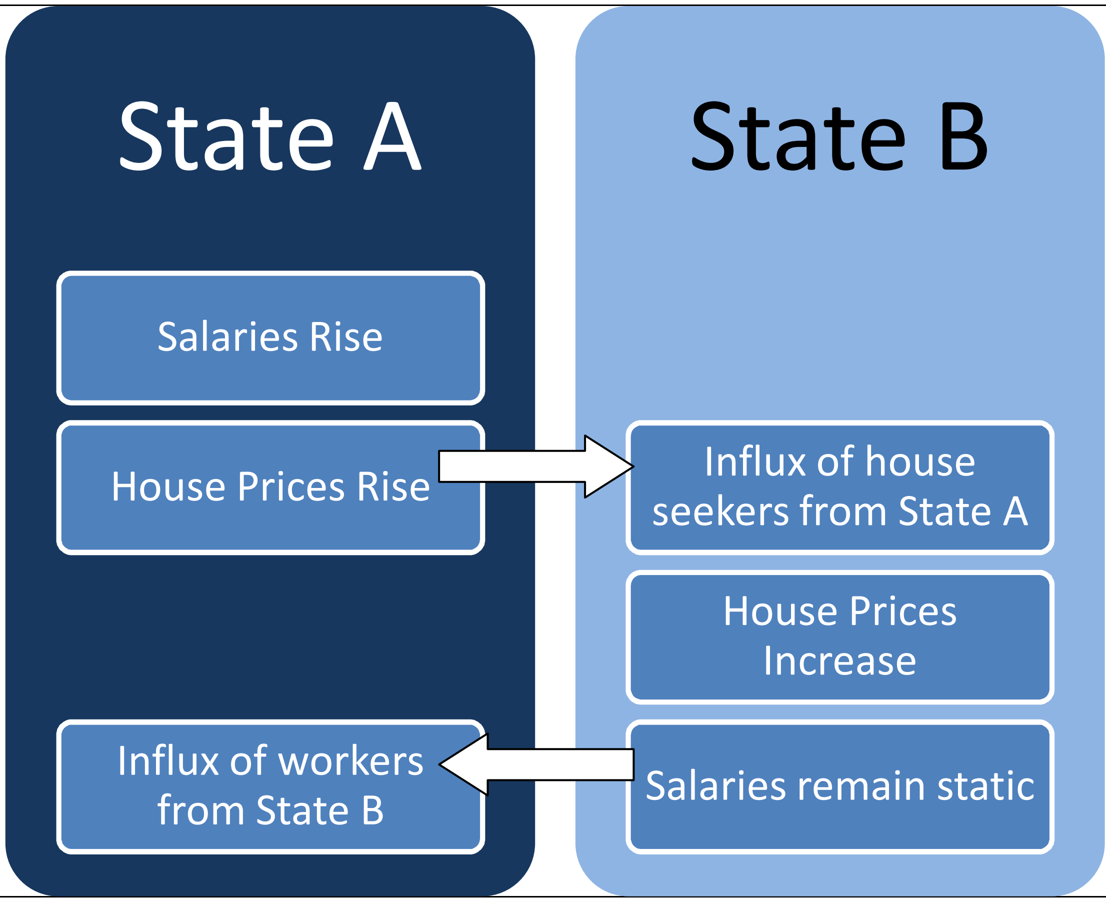
The particular concern with cross border commuting is that a state's holistic approach to taxing and serving its citizens is interrupted, as a person earns an income (and presumably pays tax) in jurisdiction A while they live, and enjoy benefits, in jurisdiction B.

Figure 1*:* The Economic Relationship between the Citizen and the State

The Economic Relationship Between The Citizen And The State	
	
The traditional economic relationship between the citizen and the state	The relationship between the citizen and the state in a **cross border commuting** situation

If one jurisdiction employs a different blend of income, property and sales tax and charges to the other, a practice of picking and choosing the optimum living-working combination between states could emerge, interfering with a state's ability to enforce a just taxation system and finance its welfare projects. As well as the practical matter of funding government services, taxation is a considerable, effective way of altering incentives and is important in reducing the incidence of undesirable practices- it is therefore decisive in healthcare and environmental policy.

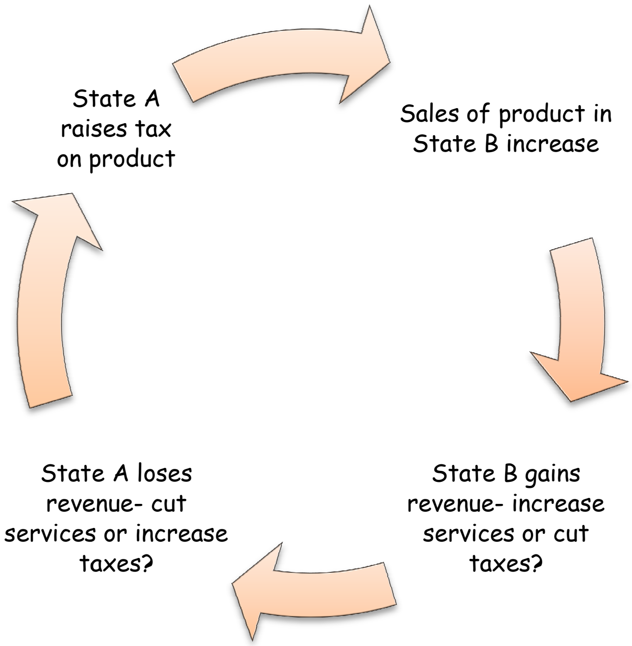
Figure 2: Salaries, House Prices & Commuting in Border Areas



As prices in State A increase, houses in State B become relatively affordable. This inflates State B prices without a corresponding increase in salaries, causing State B citizens to seek work in State A to pay for their accommodation. Thus, the situation is self-reinforcing.

Neighbouring states can have different levels of national debt, different demographic structures and a different spread of regional development, as well as different local government funding arrangements, and as such a jurisdiction may need to have certain taxes higher than its neighbour. While such higher taxes may be suffered in the majority of the state, the region closest to the neighbouring state can have either a higher incidence of avoidance (in the case of pigouvian taxes and charges) or a higher incidence of "micro-emigration" as people move house across the border while maintaining the same job and social contacts. The notion of a "border effect" is an important one in regional policy, where market equilibrium is prevented by self reinforcing effects and different transaction costs.

Figure 3: VAT, levies and sin taxes in border areas



The worst case scenario in a cross border commuting situation is where a large amount of commuters work in a wealthy state where they pay taxes and consume services, live in a poorer state where they enjoy state benefits, pay no taxes, raise land rents beyond the reach of local start up businesses. The poorer state is unable to claim income tax from the commuters, and sales taxes and other charges are regressive and easily avoided by a mobile population. Meanwhile, the general complaints regarding commuter towns still stand: the environment suffers from the effects of increased long distance car traffic and low density housing, social capital is eroded as rural communities are replaced by infrequently visited houses, and health suffers from the sedentary nature enforced by this lifestyle.

Can such a situation be prevented without interfering with the economic opportunities of the citizen? After all, a person may commute further distances within a jurisdiction than the cross border commuter and face no penalties. Besides, a person may be forced into a cross border commuting situation through harsh personal circumstances, and exclusion from state benefits on account of their being forced to pay tax elsewhere may be harsh. However, if the citizen is earning an income in the other jurisdiction which is sufficiently high to exclude them from benefits in the state of residency, how can this situation be prevented against?

In circumstances where mobility cannot be prevented (and there are clear economic advantages to welcoming mobility), neighbouring jurisdictions can negotiate agreements to prevent negative outcomes occurring in their own sphere of influence. Cross border cooperation is a tool of state policy to minimise the negative effects and maximise the positive effects of being exposed to a neighbouring economy. There are many political and sentimental reasons to applaud cross border cooperation as a means of reconciliation, particularly in cases such as the island of Ireland, but ultimately a state is concerned with its own well being and cooperation measures with other states are only sensible where they serve a state's objectives.

So when should two or more states cooperate and when should they not? Classic game theory situations such as the "prisoner's dilemma" or "the stag hunt" tell that cooperation is mutually beneficial when there is a larger prize available that cannot be gained unilaterally (the stag hunt) or when unpopular measures need to be taken and spreading the negative impact across a number of agents has a lower cumulative impact than if suffered by a single agent (the prisoner's dilemma). Much market, transport and healthcare cooperation falls under the "stag hunt" category and much environmental and welfare falls under the "prisoner's dilemma" category.

In game theory, the stag hunt refers to situations where an agent has to choose between seeking small goals on their own, or joining forces with a potentially suspect partner for a significantly more valuable shared prize- the difference between shooting rabbits or catching a stag. The attendant risk in such situations is that a partner may abandon the joint project and "shoot a rabbit" with a better chance of success once the more faithful partner is no longer behaving as a competitive rival. In the case of state cooperation, mutual cooperation is most successful in areas where there is a low risk of abandonment by a single partner, such as in roads and other transport projects, as well as in reciprocity arrangements in international trade, where risk to local industry from imports is sufficiently offset by gains from exports. (Stag hunt situations in military training and the arms trade have been less successful, particularly in the case of the United States and Afghanistan and Iraq in the 1980s).

The prisoner's dilemma game examines the risks and payoffs associated with binding agreements. Situations where the success of an action is dependent on the actions of another (the confession deal offered in the classic prisoner's dilemma) are best dealt with by a binding agreement, particularly if such situations are frequent enough to be foreseen to some extent. As a Pareto outcome for the combined goodwill of the agents may not be a Pareto outcome for each individual agent, such agreements are important for unpopular measures that are for the common good; environmental protection in particular, where one country's high standards are globally insignificant if its neighbours are contributing its share of pollution. This is certainly the case in the European Union where lower carbon emissions have a suspicious correlation with the displacement of much heavy industry to China and India.

The Good Friday Agreement was a culmination of much political effort and sacrifice to achieve peace and reconciliation in Northern Ireland, identifying commitments that needed to be made by various stakeholders to ensure peace, and establishing institutions and arrangements to advance the disparate objectives contributing to a stable political and economic environment in the North. As well as establishing a Northern Ireland Assembly with devolved legislative powers, the Agreement established a North South Ministerial Council and North South Implementation Bodies to coordinate policy in a number of areas for the mutual benefit of Northern Ireland and the Republic of Ireland. Twelve areas have been identified as warranting cross border cooperation; six of these are administered by cross-border bodies, and the other six are agreed at Ministerial Council level but implemented separately in each jurisdiction.

The six areas of cooperation are Agriculture, Education, Environment, Health, Tourism and Transport. The level of cooperation involved is at ministerial discretion and the level to which agreed policy is implemented is subject to the capacity of each jurisdiction to execute it. Bearing this in mind, cooperation has dwelt substantially with streamlining of standards (environmental standards and educational qualifications), joint funding of advertising campaigns (tourism, road safety and environmental awareness) and identification of matters to lobby together for in Europe (such as Common Agricultural Policy issues), with cross border bodies established for the more labour intensive and less controversial areas of cooperation.

The cross border bodies operating on an all-Ireland basis are; Waterways Ireland, the Food Safety Promotion Board, the Trade and Business Development Body(InterTrade Ireland), the Special European Union Programmes Body, The Language Body/An Foras Teanga/North-South Body o Leid and finally, the Foyle and Carlingford and Irish Lights Commission.

Currently, there are a range of areas that the Republic of Ireland cooperates with Northern Ireland on, but housing policy is not one of them. I propose that housing policy be included in the range of activities where cooperation currently takes place, particularly given that housing is a major factor in the economic, environmental and welfare policy areas.

Chapter 2: Literature Review

In order to put the border situation in a theoretical context, I have examined a range of literature dealing with housing and commuting economics, as well as the particular traditions of housing provision and legislation in Britain, Northern Ireland and the Republic of Ireland.

2.1 The Nature of Housing

Housing is an interesting but tricky field for economists, as it is unlike from other consumer products traded on the private sector, and also distinct from other welfare services provided by the state. For policymakers, housing is a key factor in most major areas of government endeavour such as transport, environmental protection, fiscal policy, social justice matters and employment, where the construction of new houses, the sale and rental of existing stock and the concerns of homeowners strongly influence, and are strongly influenced by, policy decisions in seemingly separate areas. In particular, housing is central to any consideration of market, welfare and environmental policy because of its differences to other markets, other welfare services and other environmental features. These differences become all the more complex when we consider that a market for housing can spread beyond the reach of a particular sovereign state.

Housing is different from other consumer products because it is heterogeneous (houses, even in similar areas, differ in size, age, quality and features), durable (houses are the longest term investment a person will become involved in, with a subsequent owner likely to give a similar time commitment), and changing houses is costly, both in time and money (as well as transaction costs associated with moving, there are numerous professional services sought in the buying and selling, as well as stamp duty and capital gains tax for buyer and seller respectively).When a person seeks to purchase a house, they are seeking access to a particular neighbourhood which suits their lifestyle and aspirations- access to jobs, social opportunities, public goods, taxes and environmental quality- not to mention the “brand” associated with certain addresses (O'Sullivan 2007).

A consequence of this is that housing, and house prices, are far more vulnerable to externalities than other consumer products. This has led to economists pointing to inevitable inefficiencies in the house-building industry, where profits can be achieved without efficiency gains and demand can be manipulated through land-banking and other speculative purchasing by developers. Quality of housing is difficult to enforce through legislation, as the old (presumably inferior) housing stock which is traded on the second hand market represents an immense portion of the private wealth of ordinary people. Restricting the sale of poor quality housing through regulation would not be politically advantageous to any government, leaving the burden of surveys and repairs with the buyer and the new building industry with half-century-old building standards to compete with.

2.2 Housing Policy: The UK, Northern Ireland and the Republic of Ireland

Among government services, particularly those under the aegis of the Department of the Environment, Heritage and Local Government (such as water services, fire safety, waste management, etc) housing is different for the reasons listed above, but also because it is a static service; a house a single unit, planted on a particular location and cannot be moved, spread, taken apart or shared without enormous disruption. This factor is important in understanding why cooperation between neighbouring states on housing policy is more difficult than cooperation on water schemes, electricity, fire services and even healthcare and policing, which some might say are more sensitive and central to the sovereignty of the state.

Housing as a tool of welfare policy in Ireland, North and South, is marked by a variety of welfare products on offer, ranging from mortgage and rent relief through to renting from state bodies to receiving homes through social and affordable housing schemes. Policies have developed to respond to social, economic and demographic changes in Ireland, where political preferences for private ownership and an aversion to ghettoes are fought for in the context of unprecedented immigration, urbanisation, consumerism and community and family breakdown.

On account of a shared history as part of Britain, both Northern Ireland and the Republic have a comparable legal and political system, with actors in the housing market having similar rights and following comparable processes. There are, of course, differences. Historical circumstances both before and after Irish independence have resulted in different attitudes to what real estate signifies to the state and the individual, and these different attitudes have been reflected in the sequence of elected governments in both states.

2.2.1. Britain

Notably, since the Free State was established Britain entered WWII and endured a great deal of destruction through wartime bombings, presenting construction opportunities in central urban areas upon peacetime. The post war period also saw Britain electing a Labour Government committed to massively expanding the delivery of social housing, as well as making private landlordism less attractive through rent control, security of tenure measures and less favourable tax treatment. These policies changed British patterns of tenure from being dominated by the private rented sector (Balchin, Bull and Kieve 1995). The construction activity of the post-war period and consequential labour shortages excited substantial immigration to Britain from Ireland, the Caribbean and other parts of the former British

Empire, revealing problems of discrimination and social exclusion that required sensitive and practical policy solutions. Impatience with the bureaucracy, expense, debatable effectiveness and long timeframes associated with government solutions to certain policy matters led to the election of the Conservatives led by Margaret Thatcher in 1979, resulting in less state involvement in a range of activities. This affected housing directly (particularly with council tenants being given the right to buy their homes) and indirectly (in the impact of new economic policies on housing markets and communities).

Housing policy and the housing market in Britain are marked by the experience of WWII, high immigration over an extended period, a history of state housing provision with social housing widely accepted as a lifelong tenure, followed by a specific and sudden change in governmental tenure preference to privately owned housing. This needs to be put in the larger context of the British economy being injured upon the flight of much industry (especially shipping, automobile and textile industry) to low wage economies, often with no alternative employment opportunities for laid-off workers. The free market solutions of the 80's to the recession that accompanied these job losses assisted regions and sectors heterogeneously, with people in declining areas facing "negative equity" as their homes fell in value to below the cost of their mortgage.

2.2.2. Northern Ireland

From partition until 1971, Northern Ireland was governed by a devolved parliament, dominated by a single political party, the Ulster Unionists. Housing was the responsibility of the Northern Ireland Ministry for Home Affairs, and during this period there was a low level of local authority building compared to England and Wales, as well as poor conditions; the wartime Planning & Advisory Board report, estimated that 71% of the total stock (229,500 out of 323,000 dwellings) required repair. Despite the establishment of the Northern Ireland Housing Trust, the 1956 Statutory Deal and the recommendations of the 1965 Wilson Report (stating that the devolved government should observe a target of 12,000 new houses a year from 1965 to 1970) output and standards still lagged behind the rest of Britain. Furthermore, housing issues contributed substantially to the Civil Rights Movement, where there widespread discontent regarding ethno-religious bias and patronage in housing allocations and repairs resulted in civil disturbances, such as the Caledon squatting incident. On foot of the unrest, the Cameron Commission was set up in 1969 to examine housing grievances and found that "there is very good reason to believe the allegation that these arrangements were deliberately made, and maintained, with the consequence that the Unionists used and have continued to use the electoral majority thus created to favour Protestant or Unionist supporters in making public appointments - particularly those of senior officials - and in manipulating housing allocations for political and sectarian ends…" (Cameron Report 1969).

The North then took a separate course to the rest of the United Kingdom during the Troubles when housing and planning powers were removed from local authorities and replaced with the Northern Ireland Housing Executive and the Planning Service of the DOE (NI) respectively. (Robson and Paris 2001) Local government's involvement in the North's housing allocations was reduced to a lobbying and liaising role. Having a depoliticised housing allocation system with significant economies of scale relative to small, possibly sectarian councils turned out to be expedient for providing accommodation in the economically depressed and politically divided region, and by 1981, the NIHE was "one of the largest public landlords in Europe… with nearly 40% of households in the province" (Robson and Paris 2001).

In the 70 and 80s Northern Ireland, which had been a self sufficient industrial hub in the 19th and much of the 20th centuries, suffered a double blow; as well as being one of the regions to suffer unemployment on account of competition from low-wage economies in the developing world, particularly in the ship-building and textile industries, the violence and destruction as a result of the Troubles deterred inward investment and complicated the political decision making process in the region. Direct rule from the Westminster, as well as the political clout held by Northern Irish political parties in the House of Commons created circumstances where decision making (for better or for worse) was removed from local hands and welfare provision was not based on the limits of the local tax yield, but rather on the leverage of Northern MPs on British Governments.

A consequence of these circumstances is that the North, relative to her Southern neighbour, went from a position of relative business supremacy to relative welfare largesse, where the source of envy ceased to be employment opportunities and became instead free GP visits and grammar schools.

Another distinctive feature of housing in Northern Ireland is the religious segregation aspect, particularly at the residualised end of the scale in social and private rented accommodation. It has been suggested that there are separate Protestant and Catholic housing needs, based on demographic and geographic differences between the two communities (Catholics traditionally having larger families, and greater new household formation; Protestant housing need being typified more by house and area repair and modernisation) (Paris and Gray 2004). It is a matter of debate whether state provision of housing cultivated the religious divides in areas, but it would appear that the "right to buy" has led to segregation increasing, rather than decreasing.

While some commentators with republican/nationalist sympathies have cheerfully noted a proportionate rise in the Catholic population of the North, it is worth noting that some of this can be explained by immigration from Poland and other new members of the European

Union, which do not have a traditionally adversarial view of the United Kingdom. The future will tell how inward migration into Northern Ireland from the European Union and beyond will alter the perceived culture divides and relations with the Republic. However, one factor increasingly effecting Northern Ireland's relationship with her southern neighbour is the housing market.

"It is clear that Northern Ireland is distinctive within the UK in sharing a land border with another EU state. It has become clear, especially after the demilitarisation of most of the border region, that there are many interactions between the two housing markets. In particular, the City of Derry has spilled over the border, with new suburbs in border villages in Co. Donegal. Developers, builders, estate agents and property investors from both jurisdictions operate on both sides of the border... Although house price increases have been greater in the Republic, there was a remarkable coincidence in the timing of house prices increases after the mid 1990s in the two jurisdictions… a picture is emerging of complex and growing interaction… Although the social housing systems of the two jurisdictions remain different, we may be moving towards, in effect, a single albeit differentiated housing market on the island" (Paris and Gray 2004).

2.2.3. Republic of Ireland

The population of Ireland was predominantly rural since before the establishment of the Free State, and the present imbalances in urban planning in the Republic are rooted in policy decisions from before independence. The Republic of Ireland is the only state in Western Europe to have a lower population now than it had in the first half of the 19th Century, so a neutral observer could be forgiven for thinking that there would already be policy frameworks, housing stock and spatial planning arrangements in place to accommodate a significant increase in population. Sadly, this has not proven to be the case.

Since Independence, Housing Policy south of the border has been different largely on account of the absence of the factors of deindustrialisation, immigration, large scale social housing and replacing bombed housing stock, but there were further differences in policy emphasis as home ownership and the support of farming communities were higher priorities. "There was no equivalent during the 1920s to the surge of British council housing, nor, in terms of scale, to the growth of slum clearance and redevelopment with public housing" (Robson and Paris 2001).

A clear difference from the United Kingdom was the state of Civil War and its aftermath, which prompted the Free State Government to reorganise the power structures of some state bodies in order to maintain stability. The Local Government Act of 1923 gave the Minister for Local Government power to dissolve a local authority and appoint special commissioners in its place; typically this was in the event of a local authority not executing its duties effectively but could also include disobedience. The actual power granted to the Minister was "if and whenever the Minister is satisfied, after the holding of such a Local Inquiry…[that] a Local Authority wilfully neglects to comply with any lawful order, direction or regulation of the Minister… the Minister may, by Order dissolve such Local Authority, and either order (under the power hereinafter conferred on him) a new election of members of such Local Authority or transfer the property and the several powers and duties of such Local Authority to any body or persons or person he shall think fit" (Local Government (Temporary Provisions) Act 1923).

Successive Ministers were not shy to use this power. Other provisions of this Act, such as the abolishing of the Boards of Guardians and the reorganising of the administration of poor relief, also eroded the capacity of local government for autonomous decision making and problem solving; a situation that was not reversed when the Local Government Act of 1925 abolished the Rural District Councils, transferring some of their housing and public health responsibilities to the Health Boards and others to the County Councils. It has been noted that local government "is less powerful and provides fewer services than in most other European countries" (Collins and Cradden 1997). Local Authorities in Ireland have very little capacity to raise their own funds and independently solve local problems, and the separation of healthcare, education, policing and public records from town and county councils has resulted in many planning headaches due to a lack of "joined-up thinking", particularly where officials planning the number of houses to be provided are working off different data to the ones planning new schools and emergency services.

As well as the frailty of local government, another noteworthy feature of the Irish Republic was the influence of the Catholic Church on social policy. The separation of healthcare and education from mainstream local government mechanisms appears to have resulted in the uneven dispersal of these services relative to population, and may have contributed to social exclusion and poverty traps in certain regions; interestingly, these areas in particular (healthcare and education) were ones where the Church had particular influence in both policy and service delivery. One of the earliest and most culturally significant cross border commuting movements was the "Contraception Train" where women would purchase contraceptives in Belfast and return to the Republic with them, where they were not readily available. Catholic social thinking contributed to concern and suspicion of the social effects of greater urbanisation and led to a preference for pro-rural policies, including spatial policy (Kenna 2006).

Reform of land laws and the redistribution of agricultural land were headline issues for the Home Rule and Republican movements in Ireland in the 19th Century. Historic adversarial landlord tenant relations were corrected not by increased rights for tenants (the Private Residential Tenancies Board was not to be founded until 2004), but rather by increasing the proportion of owner occupiers, and the Land Acts of 1923 and 1931 provided for "the compulsory acquisition of tenanted land and its State assisted sale to tenants" (Kenna 2006). Expanding home ownership was the priority of housing policy in both rural and urban areas, and social housing was not a popular or widespread solution for successive governments. Subsequently, social housing management in Ireland "has not been professionalized as in the UK and there is no Irish equivalent to the UK social housing lobby…there has never been a statutory requirement for housing managers to have a 'professional' qualification" (Robson and Paris 2001).

In the ten years since the Good Friday Agreement, the Republic of Ireland has experienced unprecedented economic and employment growth, which has redressed the Republic's perceived relative underdevelopment compared to the historically industrialised North. This economic growth was accompanied by significant price rises in the housing market, both in house sales and in the rental market. The Republic, as an English speaking EU member state with a young, well educated workforce, was well placed to benefit from direct foreign investment from the United States, and for the first time in the country's history, Ireland became the subject of significant immigration rather than emigration, creating an unforeseen demand for housing, particularly in cities.

Since the moment these price rises were first identified, commentators have predicted their imminent collapse, but the availability of cheap credit as a result of the Republic's participation in the euro facilitated house purchasers sufficiently to ensure price growth throughout the economic shocks following 9/11 and the foot and mouth crisis of 2001. Although the 2007/08 period appears to indicate a cooling off in the market, prices appear not to have sunk lower than 2006 levels, when they were deemed to be unrealistic and unsustainable.

House price growth in the Republic of Ireland has been dominated by the Dublin market, and I will show later in this thesis how price patterns reflect distances from the capital city. The sheer concentration of infrastructure, and possibly the setting of wages at central rather than local level may be factors in other Irish urban centres not being able to compete significantly with Dublin for business on price or value. The lack of an even spread of business opportunities in Ireland has lead to Dublin having an alarmingly extensive commuter belt, with a range of attendant problems which I will discuss below. It is particularly a cause for concern if Northern Ireland follows Irish examples and the cities of Belfast, Derry and Newry develop extensive commuter belts that spread into the Republic.

2.3 Theory of Commuting

Central to any consideration of housing is the reality of commuting. Specifically, commuting refers to the practice of people travelling from their residence to their workplace, and is of interest to economists for the preferences it highlights regarding choice of housing, transport, job and other key amenities. A simple economic model of a town with its business district in the centre will propose that the residential housing nearest to the centre will have the highest value, with prices dropping proportionately to the greater inconvenience and time spent by workers further from the centre who are forced to commute longer distances (O'Sullivan 2007). This is offset, however, by the fact that higher land prices in the city make it more profitable to produce high density housing there, and with lower land prices in the suburbs and the countryside allowing the possibility of larger detached housing. While workers may not like commuting, a certain amount of it is acceptable if the trade-off between country life and city life make it particularly worthwhile. Inevitably, city residential areas will have noise and pollution levels that are considerably higher than the suburbs and the countryside, and when the high prices reflect not only the presumed demand for accommodation close to work but also the competition in the city property market between commercial and residential tenants, the case for commuting becomes stronger.

Another factor to be noted in the choice of housing location relative to work is that the attractions and downsides of city or suburban areas are age-specific; the noisy downsides of living in the city may not bother a 22 year old single graduate, who may not be tempted by the alternative charms of good local schools and golf courses in the suburbs. Likewise, a five minute walk to work and access to nearby nightclubs is a poor trade off for a 45 year old married couple with two cars and three children.

City centre residential prices reflect the land rent competition from commercial tenants (for whom rent is a tax-deductible expense), proximity to work and a turnover of inhabitants with a tenure preference for rental accommodation. Suburban residential prices reflect access to work (by car or public transport), local amenities such as schools and leisure facilities, and typically settled, family centred inhabitants with a tenure preference for owner occupied housing.

Countryside residential prices reflect the competition from other land use tenants, typically farming, but also holiday homes, occasional use leisure facilities and business endeavours suited to remote locations. While proximity to work is a factor, the purchasing power to affect the value will reflect the income generated locally, which may still be less than a distant commute to a city business district over an hour away can provide. Tenure preference in the country is typically owner occupier, with much property transfer occurring through inheritance and a strong sentimental attachment to land through family connections. Countryside residential property can also reflect the restrictions imposed by local planning laws, which seek to maintain environmental standards in the countryside.

So, from a city centre location, land prices start high, with expensive rental accommodation and high density low income housing, followed by the most attractive city suburbs, with housing gradually becoming cheaper until a point is reached where larger houses are possible, causing prices to steady out as size increases. Gradually, house prices then have to compete with out-of-city large scale commercial ventures such as discount carpet and furniture stores and business parks, making residential property less attractive and from this point, possibilities become available for lower income commuters. Subsequent distances from the city centre will continue to offer lower house prices, unless the distance is compensated for by house size, access to schools and amenities (particularly if there is preferential treatment for locals) or until another business centre or agricultural area is approached. This is the city's "commuter radius".

Figure 4: Standard Urban Layout

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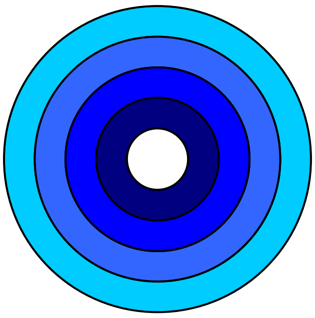
<tr><td></td><td><u>Standard Layout</u>

The Classic Model. Central Business District in the centre, leading out through the zone of transition to the near suburbs, far suburbs and finally out to the rural fringe. This does not in itself remark upon urban density, which can be high or low and still follow this pattern.

Typically this happens within a single jurisdiction.</td></tr>
<tr><td colspan="2">1: Central Business District; 2; Zone of Transition; 3: Inner Suburbs; 4: Outer Suburbs; 5; Rural Fringe</td></tr>
</table>

(Balchin, Bull and Kieve 1995)

<u>2.4 The Agglomeration Effect- In Cities & In City Hinterlands</u>

In order to fully understand the impact urban growth and corresponding levels of commuting have on a city's hinterlands, the importance of the agglomeration effect should be noted. Agglomeration refers to the economic phenomenon of different businesses in the same sector locating in a similar location. This happens on a small, retail level (such as jewellers or furniture shops all locating on the same street) and on a large, industry level (automobile manufacture in Detroit, software in Silicon Valley and financial institutions in London). Arthur O'Sullivan states that agglomeration happens for five reasons:

1. Sharing Intermediate Inputs
2. Sharing A Labour Pool
3. Expected Profits Higher
4. Labour Matching
5. Knowledge Spillovers

Access to inputs, both raw materials and labour, is a crucial factor in choosing the location of any business, but intermediate inputs in particular- ingredients in a business product that are used for another firms finished product- will attract rival firms to the same location (O'Sullivan 2007). As well as the savings on transportation, the interaction between final-product firms and intermediate-input firms can create value. Thus, shirt factories will locate near a button factory, and freight companies will locate near an airport. Belfast's traditional ship building and textiles industries were typical of this.

Industries with specific skills requirements tend to have a high incidence of agglomeration- this is often a chicken and egg situation where it is more difficult than useful to identify whether firms located where talent was available, or where talent gravitated to where the specialised jobs were. The clustering of actors and writers to Los Angeles and London, of lawyers near the major law courts in a capital city and of computer science graduates to Seattle and Silicon Valley are examples of this, where the availability of a high quality workforce sustains a city's dominance in a sector. This is particularly significant where there is a high turnover in staff within a sector and much boom-bust activity at firm level with steady growth at industry/sector level. The rapid start-up of new businesses, closure of old ones and growth of successful ones facilitates innovation while maintaining a steady demand for labour and wage level within the job cluster (O'Sullivan 2007).

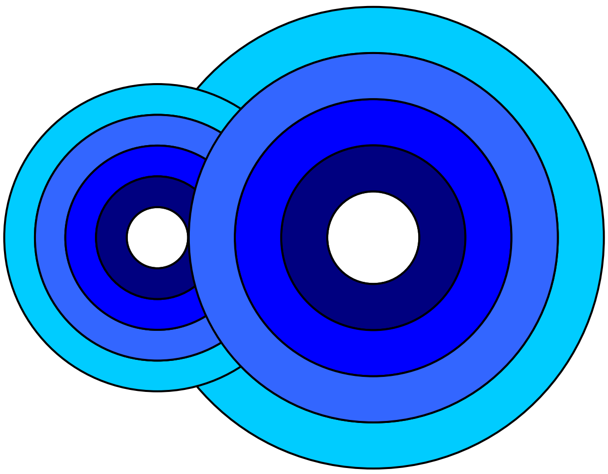
Profits are expected to be higher for many sectors in a cluster, relative to working in isolation. In retail, a shopper wishing to buy a new sofa is more likely to go to a street or Retail Park with three furniture shops than to an isolated furniture shop, as consumer choice and price comparisons are maximised specific to a particular demand. The occasional nature of the purchases in question will then suit a location within driving distance of a big population centre where land prices are low enough for a cluster of firms to present a large amount of bulky merchandise. The cluster of furniture stores in Dundalk is an example of this, taking advantage of the town's proximity to Dublin and Belfast, along with the affordability of the large sites available. Furthermore, a firm operating in a cluster environment is better positioned to respond to market changes by readily acquiring new skilled staff in busy times to maximise profit, relative to a firm operating in isolation (O'Sullivan 2007).

Agglomeration of firms allows very high levels of specialisation; a country legal practice may cover the most common aspects of law to a certain degree whereas in a clustered environment, such as around the higher courts in Dublin or London, firms dealing exclusively in immigration law or international banking will operate profitably. A benefit of specialisation in a clustered market is that, as well as consumers identifying the product that best suits their needs, a firm can enter a market with a very specific opening and select skilled workers with the best match of talents and experience (O'Sullivan 2007).

Finally, the cluster of highly specialised firms within a single sector in a particular area can give rise to knowledge spillovers where a firm can notice what their rivals are up to and learn accordingly; this is critically important in innovation driven industries, the kind governments seek to invest in their countries. Presumably this has a downside, particularly to the most innovative firms, but in practice such a risk is unlikely to deter an extremely inventive firm from basing themselves at the core of their industry.

The urban and suburban spread reflects the access to work and wages in the city centre. In a small country where a large proportion of business is located in a single urban district, such as Ireland, many of the major sectors can agglomerate in the same urban centre, creating a doubly negative effect on rival urban centres in that it becomes more difficult to attract firms away from the agglomeration, and that the correspondingly large sprawl from that main urban centre spreads into rival towns hinterlands, raising land prices beyond the reach of start up businesses and turning them into commuter towns. In commuter towns, the major commercial output is housing for workers in the nearby city.

Figure 5: Commuter Town



<u>Commuter Town</u>

Urban growth from a large city has expanded so much that it now encompasses a smaller town, which is more dependent on the city economy rather than on local factors.

Example: Dublin/ Greystones

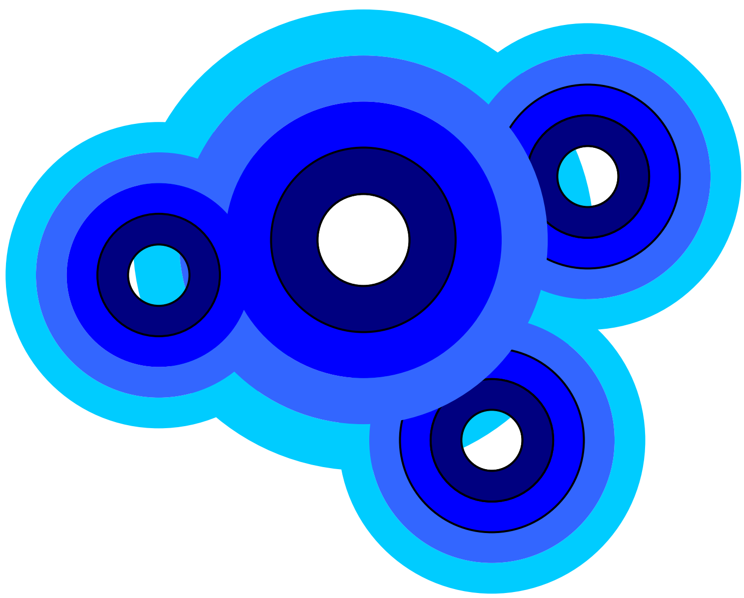
In discussing commuter towns, I am referring to municipal districts that have been historically independent but which, through proximity to a larger town, have a critical mass of working residents commuting to the larger town, with local property prices and consumer preferences reflecting the larger town's economy. While there is evidence to suggest that tens of thousands of people are perfectly content to live in commuter towns, they give rise to concern and are considered a symptom of bad planning rather than an outcome of good planning. Commuter towns reinforce the desirability of the central location while simultaneously losing their capacity to develop into a rival business centre.

Logically, businesses with an eye on the bottom line should be eager to leave a city with high rent and wage costs for cheaper premises within driving distance of a major urban centre. However, a stage hunt situation exists in commuter towns where the collective benefits of concentric urban growth run contrary to the collective actions of prospective commuters, whose joint bargaining power outbids firms who might provide employment closer to home.

As the commuting belt spreads further and further from the city, workers accept longer commutes to avail of suitable labour opportunities, with consequences for health (given the sedentary nature of commuting) and society (as commuters lack the spare time to participate in community activities). A very large commuter spread calls into question why workers spread further and further while businesses stay put; mortgage finance available to workers (compared to loans offered to businesses) allows regional land rent growth to be driven up by commuters beyond the bid of companies prepared to relocate to new urban centres.

This is particularly the case in Dublin where house price increases, escalation of mortgage lengths and increased business centralisation have all gone hand in hand. Dublin has become a conurbation, spreading in all directions leading some commentators to describe the Republic as a city-state. In fact, the effect of the Dublin labour market has been felt across the border. "Prices in places like Newry [County Down] might be high by UK standards, but they're still dramatically below what workers pay in the Dublin area - more then 50% below…With Dublin only 60 miles away, the incentive for workers to commute from over the border is strong. Similarly, investors looking for new opportunities now that the Republic's prices have stalled may well be tempted to look north" (Davy 2007).

Figure 6: Conurbations & Concentric Growth

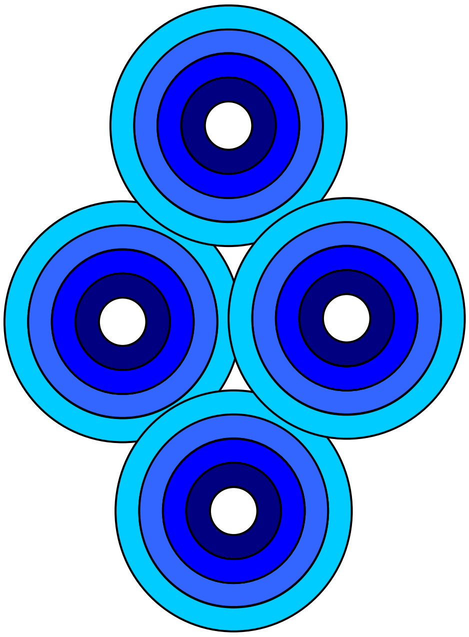


Conurbation

This happens when urban spread absorbs a number of nearby towns, generally displacing much of their business districts.

Commuters from the main city raise land rents beyond the reach of start-up businesses, turning former market towns with their own identity into environmentally unsustainable dormitory towns.

Example: Dublin /Naas/ Monasterevin/ Bray



Balanced Concentric Growth

The ideal outcome of spatial planning is that job centres are evenly spread, limiting long distance commuting and allowing smaller cities to retain their character and social capital.

Urban centres benefit from their own local business agglomerations, as well as having proximity to neighbouring agglomerations through good connectivity and transport.

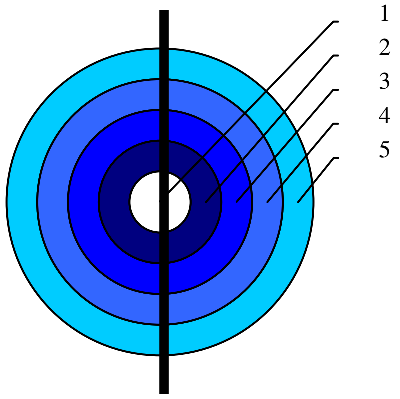
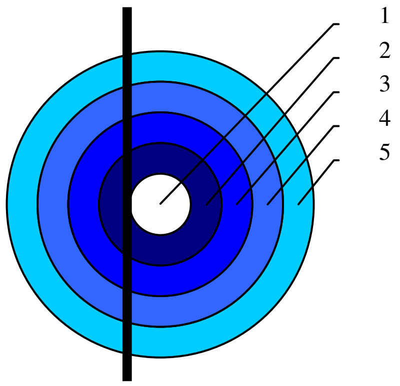
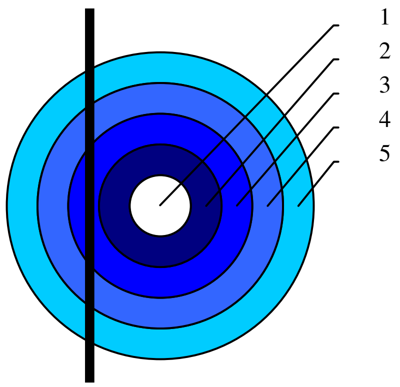
Balanced concentric growth is the best way to ensure high environmental standards, house price stability and equal access to services.

Example: Düsseldorf/ Cologne/ Essen

Agglomeration in an urban area can create specialised districts of business, industry, recreation and residence with different levels of prestige and value, but all necessary to the operation of the local economy if they are profitable enough to exist. As the less attractive features of an urban area are a consequence of the successful operation of the more attractive parts, it is normal for a critical economic analysis of a city to consider solutions to the problems of the whole area with regard to the tax revenue harvested from the entire area. This reasonable assumption can be compromised, however, in the event of a state border slicing through the conurbation.

Models of Cross Border Urbanisation

Figure 7: Models of Cross Border Urbanisation

1: Central Business District; 2; Zone of Transition; 3: Inner Suburbs; 4: Outer Suburbs; 5; Rural Fringe	
	**<u>Ideal Cross Border Urbanisation</u>** Ideally, when urbanisation spreads across a border, both states should share evenly in the business and retail opportunities, as well as the services obligations (the black line representing the state border in an overall urban area). This is the preferred objective of state cooperation in urban planning, and is unlikely to happen by accident.
	**<u>The Retreating Business District</u>** Cross border urbanisation can result in the business district clustering on the side of the border where staffing and trading conditions are more favourable. This has implications for the collection of revenue, as well as for the housing market and provision of government services. However, this situation can be in constant flux as local economies and conditions change. *Example: San Sebastian- Biarritz* *Lifford- Strabane, Newry- Dundalk*
	**<u>Cross Border Suburb</u>** Urbanisation is primarily in one jurisdiction, but towns and villages across the border respond proportionately to the economy of the city This is a consequence of a business district retreating fully into one state, or a job Mecca across the border providing more employment opportunities than the local state. *Example: Copenhagen- Malmö,* *Derry- Letterkenny*

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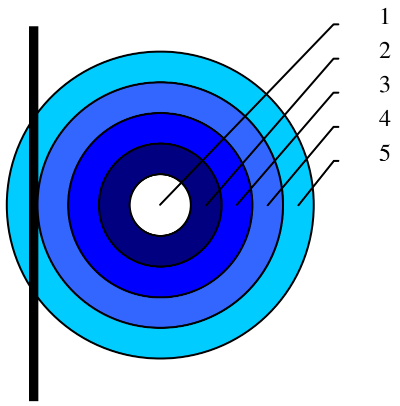
<td>
</td>
<td><u>Job Mecca</u>

The urban spread falls within one state, but some citizens from across the border are prepared to commute long distances to avail of labour and other opportunities in the city.

If this situation continues, it could lead to a cross border suburb.

Example: Belfast- Dundalk/Drogheda
Dublin- Newry/Armagh</td>
</tr>
<tr>
<td colspan="2">1: Central Business District; 2; Zone of Transition; 3: Inner Suburbs; 4: Outer Suburbs; 5; Rural Fringe</td>
</tr>
</table>

2.5 Consumer Preferences & Commuting

Labour and residential opportunities, while reflecting each other, do not spread themselves out evenly and a person's regular commuting distance reflects sociological factors, income levels and corresponding preferences. Marianne Öhman and Urban Lindgren examined commuting patterns, with an emphasis on long distance commuting, in Sweden, which has relevance in general and to Ireland in particular given the similar opportunities for cross border commuting in both countries (Öhman and Lindgren 2007). Their research noted that in general, high value jobs in high growth sectors (particularly in multinationals) were becoming more mobile, and that many workers now expect a good deal of mobility in their job. On average, the Swedish worker travels about five kilometres a day to and from their work place, with 80,000 workers in 2000 claiming tax deductions for having to travel over 50km between their workplace and their residence. Increasingly specialised jobs and professions, an erosion of job security in many sectors and an uneven spread of labour opportunities present many workers and their families with a stark choice between migration, unemployment and commuting. (Öhman and Lindgren 2007)

(There is a further option which is becoming more prevalent in Sweden and Denmark, which is migration with a view to becoming a long-distance commuter. This is facilitated by certain local factors which may already be in place in Ireland, and will be discusses further later in this thesis).

Unemployment is an unattractive prospect in the long term, and the choice between migration and commuting is marked by different obstacles which will affect different people in different ways. The biggest obstacles to migration are home ownership and household formations, particularly regarding dual income partnerships and school age children. Home owners are recognised as having long standing bonds with their communities with social, familial and financial connections reinforcing their sentimental preference for an area. Perhaps related to this is the fact that young people are more likely to find migration acceptable, and in many cases even preferable, relative to commuting, and that foreign nationals in an economy have less sentimental attachments to an area (depending on how long they have been in the host country) and are correspondingly less likely to commute.

If the homeowners are a dual income couple, a new job offer in a different urban centre for one partner will require the other to leave their current, otherwise satisfactory job and seek work in the same urban centre in the case of a move. In the case of highly specialised professions, or jobs requiring local knowledge, this can be a difficulty and even lead to a drop in income for the entire household in some instances, making an otherwise enticing move unattractive. The disturbance to children's education prospects is a consideration, although in some instances, this might be a factor in encouraging a move if there are better opportunities in the new conurbation. Nonetheless, long distance commuting tends to be more common among households with school-age children.

The issue of dual income families and childcare reveals gender issues at play in the commuter/migrant debate. Öhman and Lindgren note that studies consistently reveal that men are prepared to commute longer distances than women. This may be explained by men having less domestic and caring responsibilities, as well as better-paid full-time jobs to compensate for the travel expenses. Furthermore, high childcare costs for working mothers, when combined with high commuting costs may make it more worthwhile to become a full time homemaker or to take lower paid employment closer to home. (Öhman and Lindgren 2007)

Even if a worker does not have a partner and/or children, they will have social ties to friends, relatives, colleagues etc. at their source location, which can be just as valued or even more, as having a job. Moving to a new urban area where there are no existing social ties or local tradition of migration can be unattractive. For example, migrating from Mayo to Dublin or from Dublin to London, even in the absence of social contacts, may be attractive as the move fits an established migratory pattern, whereas moving from Dublin to Mayo, even with a suitable job offer, may appear unattractive on account of its incongruousness. Or put another way, if the sum value of existing income and existing social ties is less than the sum value of proposed income in the new location, existing social ties in the new location and perceived potential new social ties in the new location, then a move will be attractive.

Commuting as an alternative to migration is made more attractive by the transport opportunities available to a workforce. "Long-distance commuting in different guises is not a new phenomenon … but the level of transportation and communication technology might make it a more attractive alternative for households in order to combine the limited time for work, career, children, partners, domestic chores, and social life". (Öhman and Lindgren

2007) Town bypasses along with rail and bus timetables can reinforce a once prosperous town's new role as a part of a larger neighbour's commuter belt. Transport is particularly important in that workers consider time spent travelling to and from work as being more important than distance travelled. As faster modes of transport are generally more expensive, longer distance commuters need to be suitably compensated for this.

It is noted that a high proportion of graduates commute relative to non-graduates, and that this is connected to having better jobs which compensate for travelling, but this could be a false positive in that the good position may be more a fact that senior executives, who are likely to be graduates, fulfil the more decisive categories of being older, married and having children. After all, large conurbations with high economic growth are fuelled by inward graduate migration, particularly in sectors where there is a business agglomeration. Still, the point stands that upon migration to a new city, university graduates can be content to commute.

There are also business sector considerations to migration and commuting, given the time and space considerations of certain industries. Certain jobs require a widespread local presence in a country and have limited scope for time flexibility, making long distance commuting undesirable and ultimately unnecessary; teaching, healthcare, policing and general retail would fall into this category. Other jobs are centralised in a business agglomeration with high property prices, or are large organisations with sufficient economies of scale to offer staff work-sharing and flexitime arrangements which actively facilitate longer distance commuting- the large banks, government departments and computer firms would be examples of this.

Housing, migration and commuting are profoundly linked in any country where people work and live. Typically there is a direct correlation between an areas labour market and housing market. When both are in growth, accommodation close to business centres becomes more expensive and consumer preferences for different types of housing influence prices in nearby towns and villages. However, when the labour market in the initial business centre starts to contract, distant commuter residential properties are more vulnerable to price drops as the logical commuter radius contracts correspondingly. This can leave commuters in a downturn with the doubly unlucky situation of losing a job and having their home decrease in value. Öhman and Lindgren remark "A family moving from a rural area to a larger city may well have to face a situation of having to sell their house at an underrated price and not being able to find a new house of equivalent standard at a reasonable price within commuting distance to the new work in the large city" (Öhman and Lindgren 2007).

Thus the increase in commuter radius in proportion to labour market growth from a large city, combined with the dilemma faced by homeowners in declining nearby towns reinforces long distance commuting. Long distance commuters are "more likely to reside in smaller cities constrained by some unemployment and less diversified labour markets, pushing them out to seek for work elsewhere… but the choice of moving to larger cities from the rest of the country is constrained by the housing markets. The difficulty in selling small houses and owner-occupied flats in economically weaker regions pulls the household back from leaving" (Öhman and Lindgren 2007).

Therefore, the typical long distance commuter is characterised as being male, university educated with a similarly educated partner, a homeowner in an area with locally high unemployment and having some personal history of migration or long distance commuting, such as leaving home to go to university, having a commuting parent or travelling some distance to attend school. Öhman and Lindgren identify a personal history of distance commuting as the most important factor in someone subsequently choosing such a lifestyle; there is a far lower incidence in their research of non-university educated workers and workers from inner-city backgrounds becoming distance commuters.

Hence migration is a more attractive proposition to young, single, childless and foreign workers, whereas long distance commuters tend to be homeowners, in a dual income relationship with children. It may be noticed that the typical migrant is similar to the typical city dweller noted above. The notion that there is a section of the workforce that is more likely to change city, and possibly even country for similar work elsewhere rather than commute has contributed to the notion of globalisation contributing to an "urban archipelago" of cities who are more connected with each other through migrant workers and multinational companies than they are with their hinterlands (Fuchs, et al. 1994). While the transformation of cities from market hubs, feeding off the agricultural surplus of local towns to part of a community of increasingly identical cosmopolitan centres of multinational business may be exciting, the point stands that the connections between country, state, nation and economy are becoming weaker, and with them the subsequent mandate for government intervention on matters of compassion and social justice. In particular, commuter belts have been identified by the criteria above and by other less temperate analysts as a symptom of "white flight" where urban centres are being abandoned by their indigenous population and replaced with a combination of immigrant communities, the poor and socially isolated, and a cycle of young single professionals with no personal connection to the urban neighbourhood, regardless of a possibly high income.

Chapter 3: Methodology

3.1 Critical Framework

The literature review established the key theoretical issues in relation to housing, urban spread and the nature of commuting, from which the models of cross border urbanisation were inferred. To what extent to these matters apply in Ireland, in particular to the North and Border counties? And in what way do policy differences between the jurisdictions in Ireland cultivate or prevent certain cross border urbanisation models? In approaching this project, I took the following steps:

- Outline and examine the critical arguments relating to the economic circumstances of border areas in general;
- Identify the main social and economic factors at play in the commuting and urban sprawl situations in border areas.

The objective in taking these initial steps was to develop a framework of potential problems that would be faced in cross border urban structures, such as appear to be forming in Donegal-Derry and Dundalk-Newry.

3.2 Constructivism & the Toulmin Model of Argument

This dissertation addresses a number of social constructs, many of which are emotive on account of class sensitivities regarding tenure and the rural/urban divide, and political sensitivities in respect of the border. While it is apparent that Ireland's major cities are spreading their commuter radius to absorb towns which had a distinctive economic and social character in the past, the implications of this change are infused with different perceptions of what a proper town/commute/home/citizen should be and do. Commuting is a concept that is subject to different interpretations, based on what a person considers as "normal"; technically, a greengrocer living over his shop commutes as he goes downstairs in the morning. Similarly, the notion of the cross border commuter, or frontier worker, is also a social construct, whose existence is problematic because it complicates the smooth operation of a politically endorsed construct; the border.

Migration as a construct, particularly immigration, is divisive as people's understanding of the state is constructed from the bundle of privileges and obligations they identify as characterising their relationship with it. Perceptions of additional privileges or exemption from obligations for certain groups are hard to measure but easy to assign. The inability to enforce penalty points on out-of-state drivers in the Republic of Ireland was an example of this; evidence of the proportion of foreign registered vehicles who evaded points was reported in the media outside the context of more pertinent demographic factors, such as the age and gender of the drivers. Even if this evidence was not available, its absence did not deter media characterisation of out-of-state drivers as dangerous, even at a time when car accidents were dreadfully high among state-registered drivers (McCárthaigh 2006). The challenge is to examine how people respond to the different opportunities a border presents and draw inferences from this. Thus a constructivist, deductive approach was taken.

The Toulmin model of argument was used to generate a corpus of circumstances relevant to border areas. The argument model proposes that valid statements are made based on an initial claim, supported by grounds (or data) linked to the claim by a warrant, with additional backing supporting the validity; the statement must then withstand any qualifiers, and rebuttals must also be subject to the same model. Subjecting initial observations to the Toulmin model facilitated the concoction of a series of precise logical conclusions (as well as the elimination of illogical ones) which helped shape the dissertation. An example of this process is outlined below.

Figure 8: Example of Toulmin Model of Argument

Claim	Grounds	Warrant	Backing	Qualifier	Rebuttal
CBC can happen in Ireland	Urban centres in the North may offer better labour opportunities to some border county residents than nearby towns in the Republic	If Galway or Limerick's "commuter radius" was applied to Derry or Belfast, it would spread across the Border	Restrictions on CBC are not significant; citizenship of both states is open to the other for historical reasons	Unless discrimination is occurring or there are equal opportunities on both sides of the Border	The paperwork associated with being a frontier worker deters residents from CBC
CBC will increase	Stability in Northern Ireland will help their economy; the regions in the Republic are more vulnerable to global economic change than Dublin	Stability in Northern Ireland will make it more attractive for direct foreign investment; Dublin has positive agglomeration factors which the regions don't	Historical obstacles to CBC such as qualification recognition and taxation arrangements have been addressed	As long as the Northern political situation remains stable	Once CBC becomes significant, the root causes will be addressed by policy makers
CBC will decrease	If CBC becomes very significant, the causes will be identified and addressed by policymakers	Widespread CBC in either direction will become an election issue on account of its impact on welfare, the housing market and the local labour market	The democratic process in the Republic can leave governments vulnerable to small local issues (coalitions, independent TDs)	Measures are ineffective or merely change direction of CBC	There will always be sufficient differences in taxation and opportunity to warrant some CBC
CBC is a bad thing	CBC leads to people living in one state and	Taxes from salaries pay for state services;	Non CBC residents will resent frontier	The tax agreement between states	CBC is still preferable to a region

Claim	Grounds	Warrant	Backing	Qualifier	Rebuttal
	consuming state services there, which they earn a salary and pay tax in the other	disconnection of these can lead to insufficient funds	workers enjoying the same state benefits if they don't pay tax	is sufficient to reclaim lost revenue; if non-income taxes redress the balance	being hit by significant emigration; it is only a bad thing if one state is "worse" than another
CBC is a good thing	CBC is still preferable to a region being hit by significant emigration; it is only a bad thing if one state is "worse" than another	Identifying CBC as a problem implicitly recognises that the neighbour state has preferable conditions; isn't that the real problem to address?	Government should facilitate residents seeking legitimate labour opportunities who wish to remain in the state	CBC inflates property prices to the point where residents' state becomes "commuter town"	CBC is good as long as it's not too one-way

3.3 Statistical Analysis

Following the identification of the risks and possibilities, statistical analysis was undertaken to identify:

- The extent to which cross border commuting was occurring;
- The extent to which distance commuting factors were present
- The likelihood of cross border commuting increasing

Data was taken from the Irish 2006 census, the Northern Ireland 2001 census, as well as other material from the www.cso.ie website to establish demographic patterns. Having established demographic patterns with the census information, the next step was to display house price patterns in Ireland and the North and to identify trends from which conclusions on the nature of the cross border housing market, which is discussed in the "Housing & the Market" chapter.

A significant and frustrating obstacle in carrying out this thesis has been the differences in record keeping between the two jurisdictions; not only are the censuses held at different times, but important questions are phrased in different ways. The most recent census in the Republic was held in 2006, in the North it was in 2001. Furthermore, in additional to the inevitable hassle of house price statistics being recorded in different currencies, prices in Northern Ireland are given for the tax year rather than the calendar year. These obstacles are the bane of all cross border research, such as the recent *Atlas of the Island of Ireland*: "of the 1161 SAPS (Small Area Population Statistics) outputted from the 2002 census in Ireland, our analysis estimates that 32% of the variables can be matched directly to the Northern Ireland census… this means that over two thirds of all census variables published in the South have no direct equivalents in Northern Ireland without manipulation" (Gleeson, et al. 2008). The

2011 censuses in both jurisdictions present a great opportunity to build on this dissertation and other research if the questions asked can be better synchronised to identify cross border activity.

Given the time lag since the Northern census, data from the Irish Department of Finance on trans-border relief under section 825A of the Taxes Consolidation Act 1997 is also provided; while this is not as precise as census data, it gives an impression of the amount of southbound frontier worker activity to complement the CSO and NISRA data.

Another significant concern regarding the data was that there would be much cross border activity unrecorded in the census; casual and "cash in hand" labour, particularly in the agricultural and services sector but also tradespeople may earn a portion of their income in both states. Moreover, as certain cross border activity tiptoes the thin line between inter-jurisdictional cherry-picking and actual benefit fraud, many participants of the frontier economy may decline the opportunity to incriminate themselves. This is particularly true of "grannying" and similar activities where the address of a Northern relative is used by residents of the Republic to avail of services such as education. The fact remains that in many areas of Donegal and Cavan, the school across the border is the local school, but the matter remains a hot potato.

The decision to present the census statistics in terms of Daíl constituencies rather than counties was arrived at primarily to illustrate the demographic differences within Donegal; the North West constituency is closer to Derry and has demographic characteristics that warrant separate examination to the South East constituency. House price statistics, however, were only available by county; given the impact of county council planning regulations on property prices, this was considered the most satisfactory presentation of the data.

3.4 Border Situations in Other Countries

In order to give a correct impression of the often unreportable frontier activity in Ireland, examples of cross border commuting from other European states were presented and their similarities to the Irish situation considered. There are different circumstances at play in Europe, as few borders on the continent have been subject to the political tensions and violent activity that has beleaguered the Irish border; additionally, the facilitation of border activity between mature economies in Europe has been going on for decades, culminating recently in the introduction of the Euro. Furthermore, many European countries are subject to multiple borders; while Bratislava in Slovakia and Kittsee in Austria could be considered a cross border urbanisation, this would need to be examined in light of the additional effects of the nearby Hungarian border; effects that could make the example irrelevant in the Irish case. Likewise, San Sebastian and Biarritz, while presenting a cross border urbanisation with a shared commuting catchment area, are both in the Euro-zone, limiting that example's resonance in the island of Ireland.

The decision was taken to restrict examples to border jurisdictions where a currency difference applied (as is the case in Ireland) and a substantial border effect had been noted on account of the economic activity of a single urban centre. Copenhagen-Malmö and Geneva-Annemasse/St Julien-en-Genevois were selected as examples based on these criteria; the extremity of the border effects in these regions is illustrative in the Irish context, particularly given the unknown amount of "under the radar" frontier activity.

3.5 Analysing Policy Differences

Finally, regulations and arrangements governing the provision of welfare services and the implementation of planning law were examined and discussed in light of the risks presented. Rather than plunge into an in-depth comparison of the countless state services provided by both jurisdictions and speculate on the extent to which unmeasurable welfare fraud may exist, it was decided to isolate the state interventions relevant to housing where there was a notable policy difference; did the choices offered in the greater border region lead to social housing needs being addressed more efficiently, or less?

The thrust of the dissertation was to see how policy differences affected housing preferences in border areas, and to examine how to minimise the negative impact of this through cooperation; consequentially, certain aspects of housing were deemed outside the scope of the thesis. Areas where cooperation was already in progress such as transport and spatial planning projects were left out (although differences in planning that could alter consumer preferences were included). Differences in technical matters such as building and engineering practices were not deemed to have a sufficient impact on consumer preferences to warrant inclusion in a project of this small scale.

Chapter 4: Findings

In this section I have assembled demographic data from the census, housing statistics from the Department of Environment, Heritage and Local Government and material from other sources and studies to interpret the shape of cross border economic and demographic activity in Ireland and the impact this has on housing from a market perspective, an environmental perspective and from the perspective of housing's role in welfare and social policy.

4.1 Commuting and the Border Area: 2006 Census

In some ways, the concept of a border region in the Republic is an anomaly, in that there is another significant division in Ireland which it crosses through; that is, between the East and the West. Any consideration of the border region in general will be flawed if it does not take into account the different economic factors, access to resources and demographic considerations that separate the West of Ireland from the East Coast. Much of the eastern part of the border area could be considered to be part of the Greater Dublin area, with local residents within typical commuting distance of the Capital.

The following tables have been prepared from data gathered in the 2006 census. Lamentably, the was no census taken in Northern Ireland at the same time, and previous census research on the island of Ireland that was taken simultaneously (such as in 2001) is plagued by an asymmetric phrasing of important questions. Hopefully this thesis and other research will prompt a more joint approach to census-taking in future.

While the census asks how far people travel, it does not ask the direction; still, the concentration of employment opportunities in the capital and the consequential long distance commuting has been noted, allowing us to expect, if not assume, that long commutes in counties within reach of Dublin are probably to Dublin. When considering the factors having an impact on housing policy, we need to consider age profile, employment, commuting patterns and migration in order to establish if statistical increases in house prices are a consequence of economic growth, limited supply, imprudent speculation or external factors. It has been shown that the classic long-distance commuter is a worker with established connections (family & mortgage) to a particular town or area suffering an unemployment problem, has some personal experience of migration and are typically in a two-income relationship where both partners are fairly well educated. To what extent are these factors in place in the border counties, what other factors are in place to stimulate commuting and migration, and what is the actual incidence of cross border commuting?

The tables below give an impression of the commuting character of the Border Area. In order to illustrate the more pertinent statistics, I have given an additional graph in each instance to demonstrate the deviation from the national average for the relevant topic. The statistics are taken from the 2006 census. A small margin of error of 0.01% may be noted on account of figures being rounded up or down.

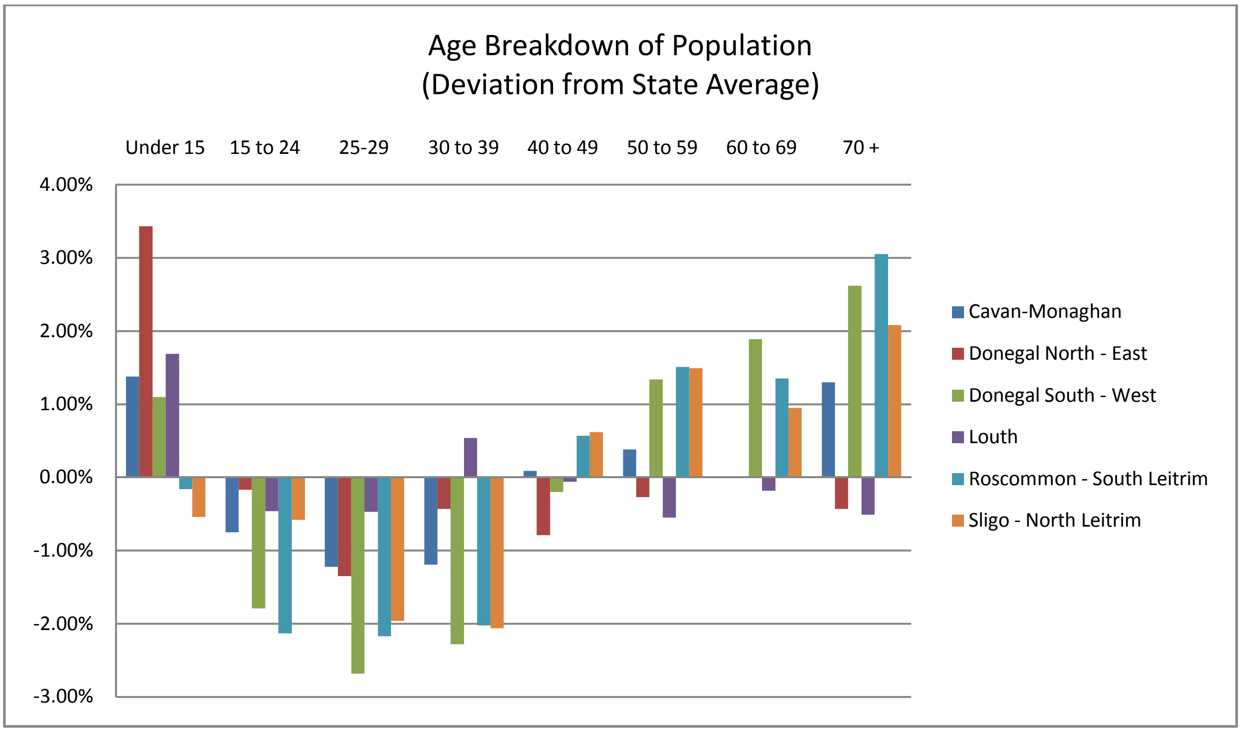
Initially the figures relating to the age profile and labour market characteristics of the border areas will be presented, to see if the typical characteristics of a long distance commuting area are present. Secondly, the commuting data from the census will be examined to see what distances are actually being travelled. Thirdly, inward and outward migration will be considered. The data will show who lives in the border, who leaves it, who takes their place and who stays there to commute.

4.2 Age Breakdown and Labour Market

Table 1: Breakdown of population (by Dáil Constituency)

Geographic Area	Under 15	15 to 24	25-29	30 to 39	40 to 49	50 to 59	60 to 69	70 +
Cavan-Monaghan	21.77%	14.18%	7.58%	14.65%	13.68%	11.52%	7.66%	8.96%
Donegal North - East	23.82%	14.75%	7.45%	15.41%	12.79%	10.87%	7.68%	7.23%
Donegal South - West	21.49%	13.14%	6.11%	13.56%	13.38%	12.48%	9.56%	10.28%
Louth	22.08%	14.46%	8.33%	16.38%	13.53%	10.59%	7.48%	7.15%
Roscommon - South Leitrim	20.23%	12.80%	6.63%	13.82%	14.15%	12.66%	9.02%	10.70%
Sligo - North Leitrim	19.85%	14.35%	6.84%	13.78%	14.21%	12.63%	8.61%	9.73%
State Average	20.39%	14.92%	8.80%	15.84%	13.59%	11.14%	7.67%	7.65%

Figure 9: Age Breakdown of population (deviation from State average)

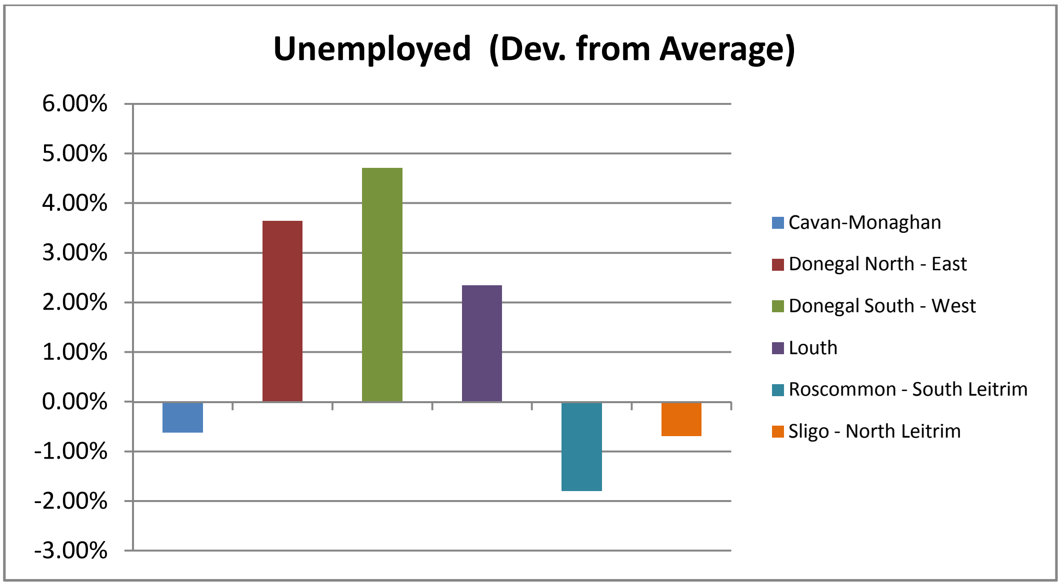


All of the border constituencies fall below the state average in the 15-24 and 25-29 age brackets. With the exception of Louth, they are also all below average in the 30 to 39 age bracket. As these ages represent a significant portion of the labour force and of home seekers, this detail is worth paying attention to. Interestingly, the border areas have slightly higher proportions of under-15 year olds than the state average; when taken into account in conjunction with the lower middle-aged figures, this could be explained by larger families in these areas- this is borne out by the fact that all constituencies except Louth have higher than average proportions of families with more than five persons. There are also higher proportions of people over 70 in the border areas. The relatively high school-going population when noted in connection to the lower than average young workforce would suggest substantial outward migration of school leavers, typically to university, a majority of whom do not return.

Table 2: Employment/Unemployment Breakdown

Constit	Employed	Unemployed
Cavan-Monaghan	93.41%	6.59%
Donegal North - East	89.14%	10.86%
Donegal South - West	88.07%	11.93%
Louth	90.43%	9.57%
Roscommon - South Leitrim	94.58%	5.42%
Sligo - North Leitrim	93.48%	6.52%
National	92.78%	7.22%

Figure 10: Border Unemployment (Deviation from National Average)



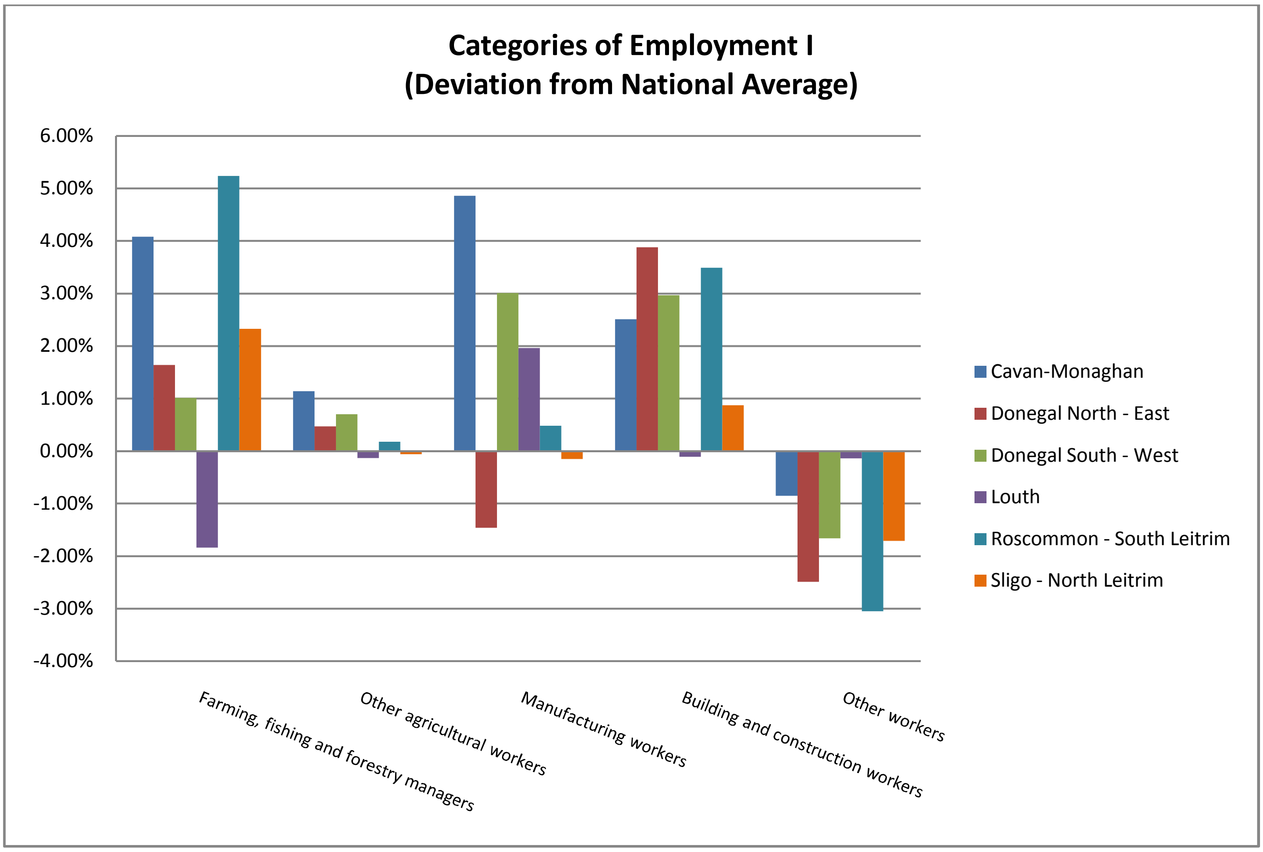
At the time of the census, a figure of 7.22% unemployment was recorded; while this is quite low it reflects a certain amount of frictional employment due to the transitional nature of much of the construction and other contract work that accounts for a huge amount of the state's economic activity. Nonetheless, the figures show that there is significantly higher unemployment in the border constituencies than the state average, particularly Donegal. This is especially noteworthy given the outward migration indicated above; the reduction in local labour supply caused by migration has not caused the labour market to reach equilibrium.

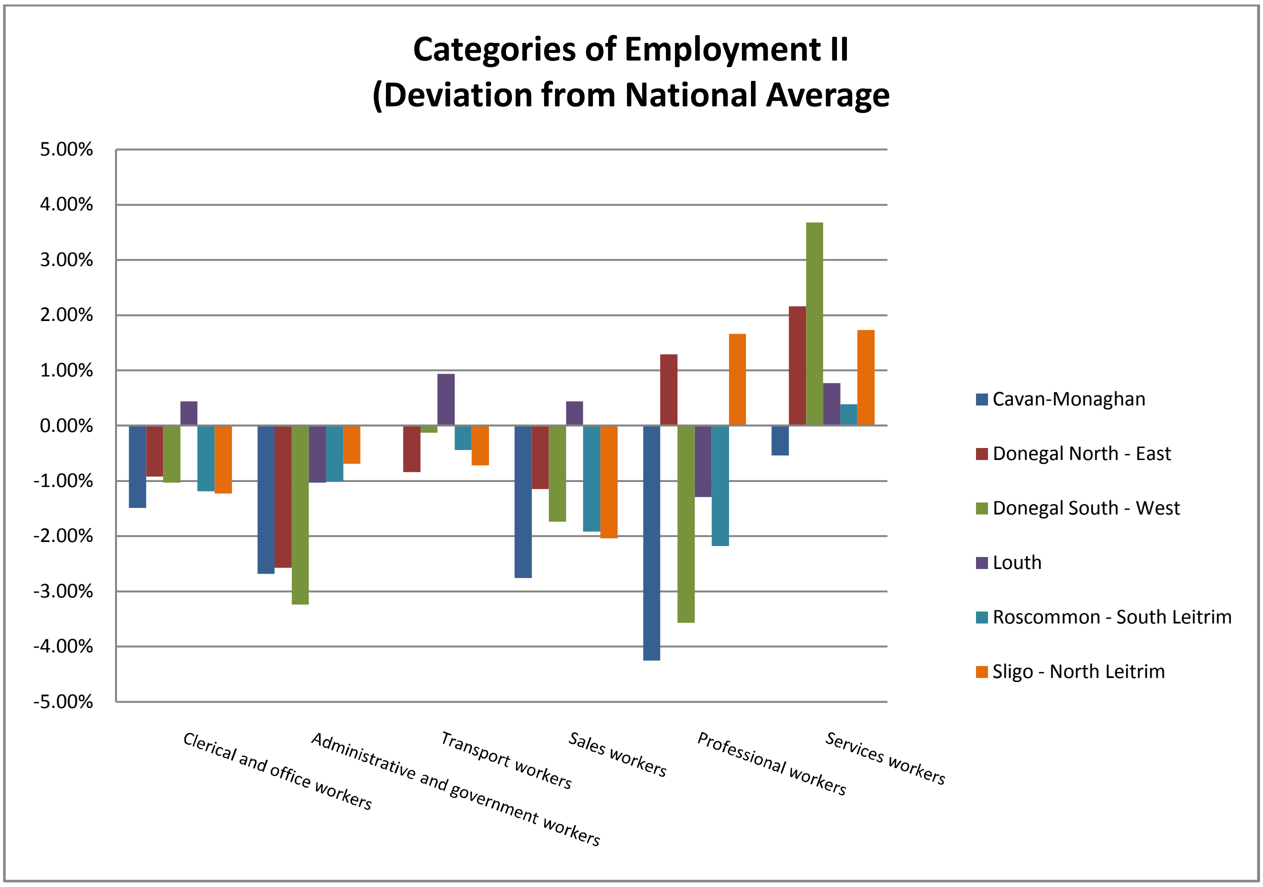
Although Sligo, Roscommon and Leitrim are slightly below the state unemployment average, the lower populations of these counties should be taken into account. What also needs to be taken into account is the character of employment opportunities availed of in the different border constituencies.

Table 3: Categories of Employment (For People Listed As Employed)

"At work" Table	Cavan-Monaghan	Donegal North - East	Donegal South - West	Louth	Roscommon - South Leitrim	Sligo - North Leitrim	State
Farming, fishing and forestry managers	7.73%	5.30%	4.67%	1.82%	8.90%	5.98%	3.66%
Other agricultural workers	1.90%	1.23%	1.47%	0.64%	0.94%	0.71%	0.77%
Manufacturing workers	16.73%	10.41%	14.88%	13.83%	12.35%	11.72%	11.87%
Building and construction workers	11.34%	12.72%	11.80%	8.73%	12.32%	9.71%	8.84%
Clerical and office workers	7.62%	8.19%	8.09%	9.55%	7.92%	7.88%	9.11%
Administrative and government workers	6.65%	6.76%	6.09%	8.30%	8.33%	8.65%	9.33%
Transport workers	5.65%	4.82%	5.54%	6.60%	5.23%	4.95%	5.67%
Sales workers	11.33%	12.94%	12.35%	14.53%	12.17%	12.05%	14.09%
Professional workers	13.10%	18.64%	13.78%	16.06%	15.17%	19.01%	17.35%
Services workers	10.52%	13.21%	14.73%	11.82%	11.45%	12.79%	11.06%
Other workers	7.41%	5.77%	6.61%	8.12%	5.21%	6.56%	8.27%

Figure 11: Categories of Employment (For People Listed As Employed, Deviation from State Average)



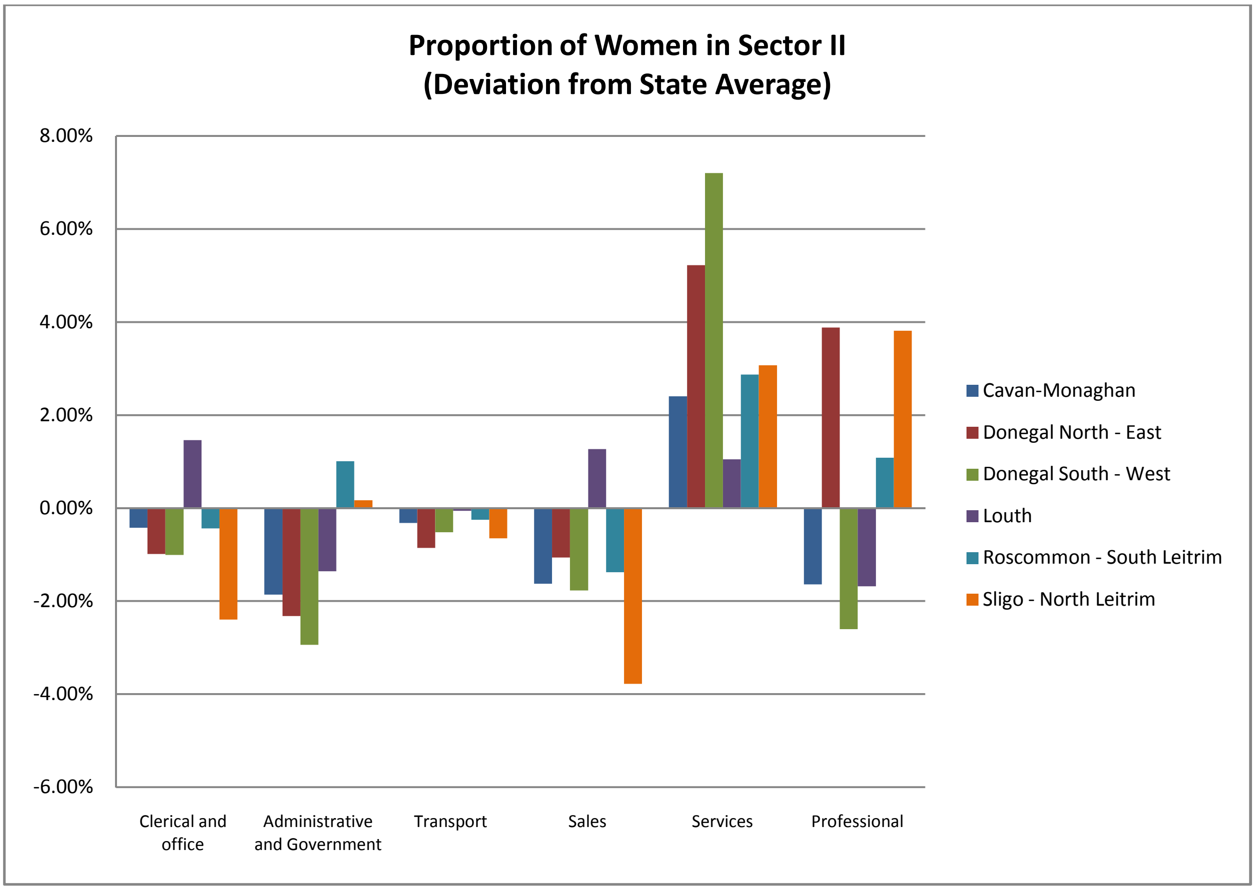


All areas reported a below average amount of people engaged in Administrative and Government work, and in the "other workers" category. In other categories, Louth bucks the trends set by the other border constituencies, being the only area with below average proportions of workers engaged in agriculture and construction, and the only area with an above average proportion of workers engaged in sales, transport and clerical/office work. This is in keeping with its proximity to Dublin and Belfast. The rest of the border constituencies are notable for the largely manual character of the labour opportunities- predominantly agriculture, construction and manufacturing. Furthermore, the chart below shows how office work and professional services are disproportionately carried out by women in these areas, compared to state averages.

Table 4: Proportion of Women employed in Sector

Geographic Area	Manufacturing	Farming, fishing and forestry	Building and construction	Other agricultural	Clerical and office	Administrative and Government executive	Transport	Sales	Services	Professional	Other
Cavan-Monaghan	7.06%	0.98%	0.45%	1.72%	17.34%	8.42%	1.13%	15.54%	18.93%	21.07%	7.35%
Donegal North - East	2.76%	0.55%	0.38%	0.49%	16.78%	7.96%	0.60%	16.11%	21.74%	26.59%	6.04%
Donegal South - West	7.83%	0.42%	0.32%	0.11%	16.75%	7.34%	0.94%	15.41%	23.72%	20.11%	7.04%
Louth	4.61%	0.26%	0.42%	0.18%	19.23%	8.92%	1.40%	18.45%	17.57%	21.03%	7.95%
Roscommon - South Leitrim	3.88%	1.16%	0.30%	0.70%	17.32%	11.29%	1.21%	15.80%	19.39%	23.79%	5.16%
Sligo - North Leitrim	5.73%	0.80%	0.28%	0.32%	15.36%	10.45%	0.80%	13.39%	19.59%	26.53%	6.74%
State	4.31%	0.61%	0.52%	0.36%	17.76%	10.28%	1.45%	17.18%	16.52%	22.71%	8.30%

Figure 12: Proportion of Women employed in Sector (Deviation from State Average)

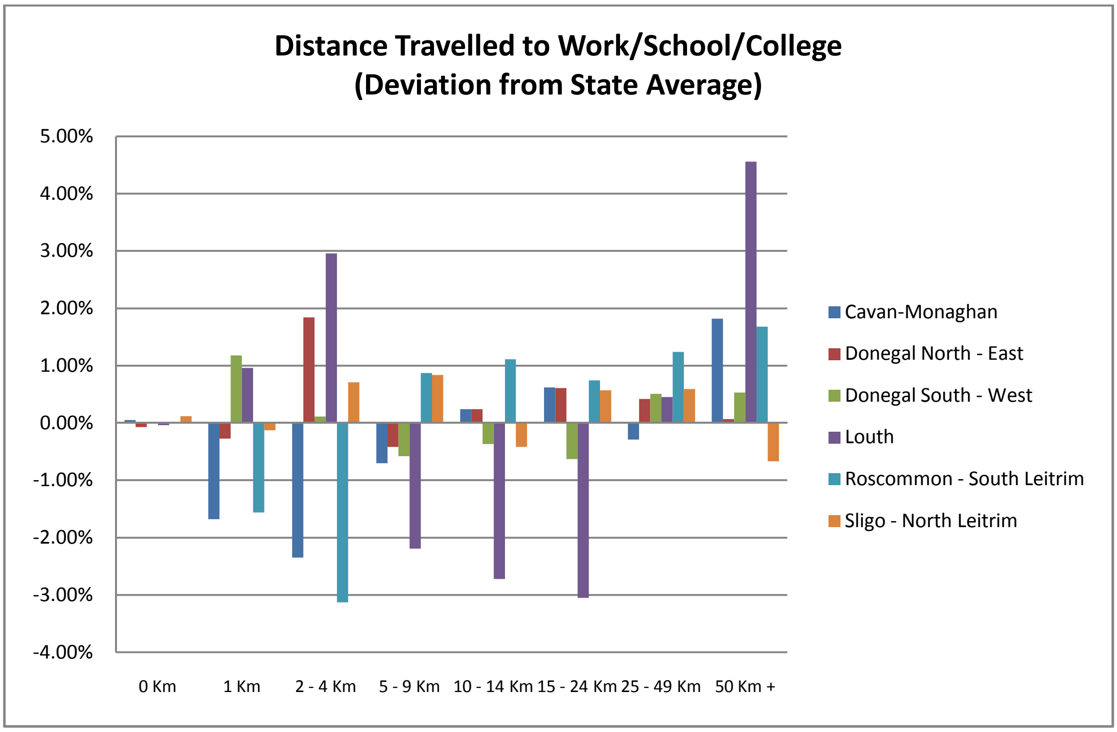


4.3 Commuting in Border Area

Table 5: Distance Commuted To Work/School/College

Geographic Area	0 Km	1 Km	2 to 4 Km	5 to 9 Km	10 to 14 Km	15 to 24 Km	25 to 49 Km	50 Km and over	Not Stated
Cavan-Monaghan	1.01%	9.12%	17.12%	15.11%	10.52%	10.98%	7.59%	5.77%	22.80%
Donegal North - East	0.88%	10.53%	21.31%	15.39%	10.52%	10.97%	8.29%	4.02%	18.09%
Donegal South - West	0.96%	11.98%	19.58%	15.22%	9.91%	9.73%	8.39%	4.48%	19.76%
Louth	0.92%	11.76%	22.43%	13.61%	7.56%	7.31%	8.32%	8.51%	19.58%
Roscommon - South Leitrim	0.95%	9.24%	16.34%	16.67%	11.39%	11.10%	9.11%	5.63%	19.57%
Sligo - North Leitrim	1.07%	10.67%	20.18%	16.65%	9.86%	10.93%	8.46%	3.28%	18.91%
State	0.95%	10.80%	19.47%	15.80%	10.28%	10.36%	7.87%	3.95%	20.51%

Figure 13: Distance Commuted To Work/School/College (Deviation from State Average)



In terms of commuter distance, the deviations from the national norm are small, with the exception of Louth, where nearly 17% of the population are travelling over 25km to work (5% more than the state average) even though the amount of people travelling between 5 and 24km to work is 8% below the state average. This is fitting with the county's proximity to Belfast, Dublin and Newry and the presence of large urban centres, Dundalk and Drogheda within the county.

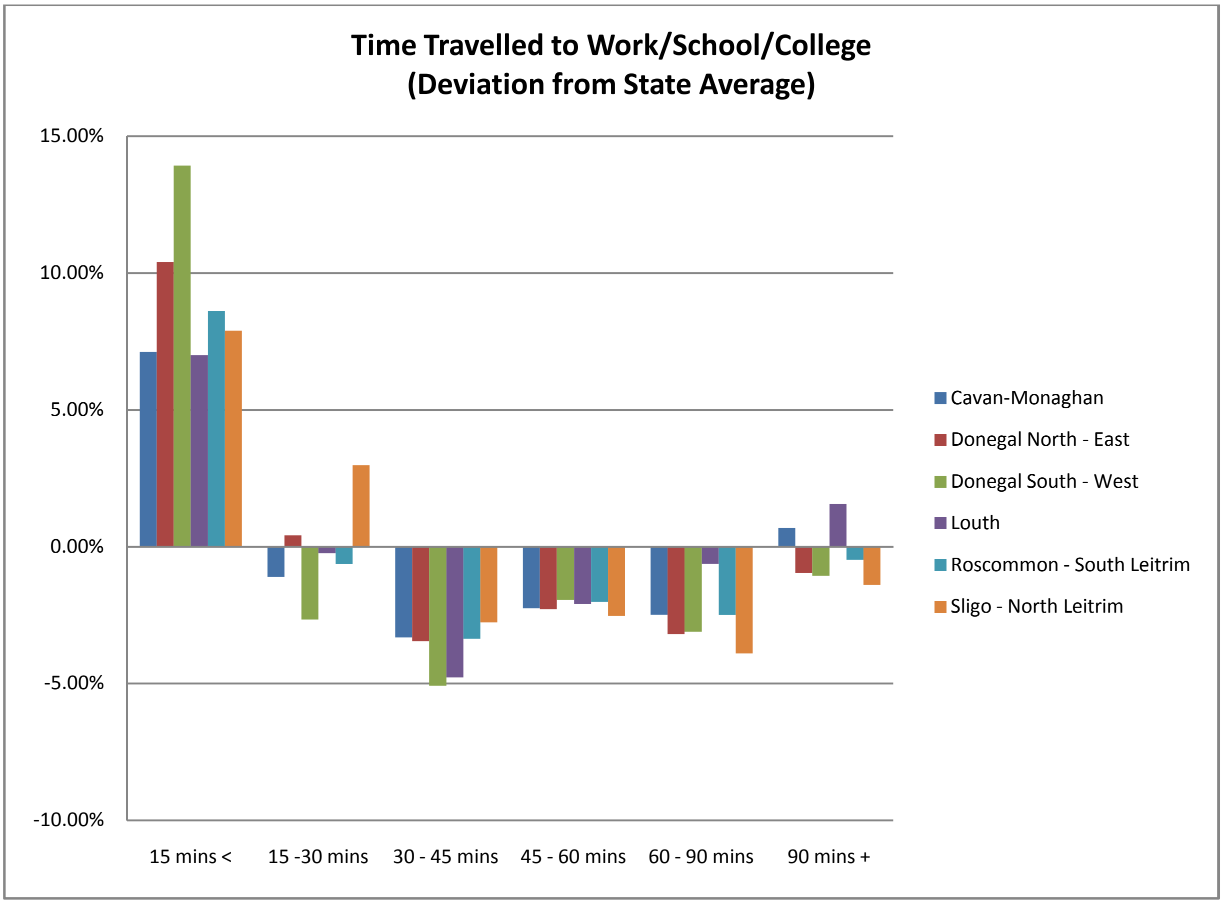
With over half the state population (53%) travelling over 10km on their daily commute, and with this average being so heavily stacked by the large population of greater Dublin and her neighbouring commuter counties, the fact that the western counties tail the national average so closely is surprising. It is even more surprising that, in relation to the average worker, people in Donegal, Roscommon, and Leitrim are more likely to make a 10km+ commute than in the rest of the country.

From an urban planning perspective, commuting is measured in kilometres, but for the individual worker deciding where to work and live, it is measured in time spent travelling. How does the border area compare to the rest of Ireland in this respect?

Table 6: Time Spent Travelling to Work/School/College

Geographic Area	Under 15 mins	15-30 mins	30-45 mins	45-60 mins	60-90 mins	90 + mins	Not stated
Cavan-Monaghan	41.36%	26.64%	11.74%	3.31%	3.30%	3.15%	10.50%
Donegal North - East	44.66%	28.16%	11.59%	3.27%	2.58%	1.51%	8.24%
Donegal South - West	48.17%	25.09%	9.98%	3.61%	2.68%	1.41%	9.08%
Louth	41.23%	27.51%	10.29%	3.46%	5.15%	4.03%	8.34%
Roscommon - South Leitrim	42.87%	27.11%	11.70%	3.55%	3.28%	1.99%	9.51%
Sligo - North Leitrim	42.13%	30.72%	12.28%	3.04%	1.88%	1.07%	8.89%
State	34.25%	27.75%	15.05%	5.56%	5.78%	2.47%	9.14%

Figure 14: Time Spent Travelling to Work/School/College (Deviation from State Average)



A significantly higher than average proportion of people in the border area, particularly in Donegal, take less than a quarter of an hour to get to their place of work or study. All border areas are below average in taking daily commutes between 30 and 90 minutes, with Louth, Cavan and Monaghan popping slightly above average in the over 90 minutes bracket.

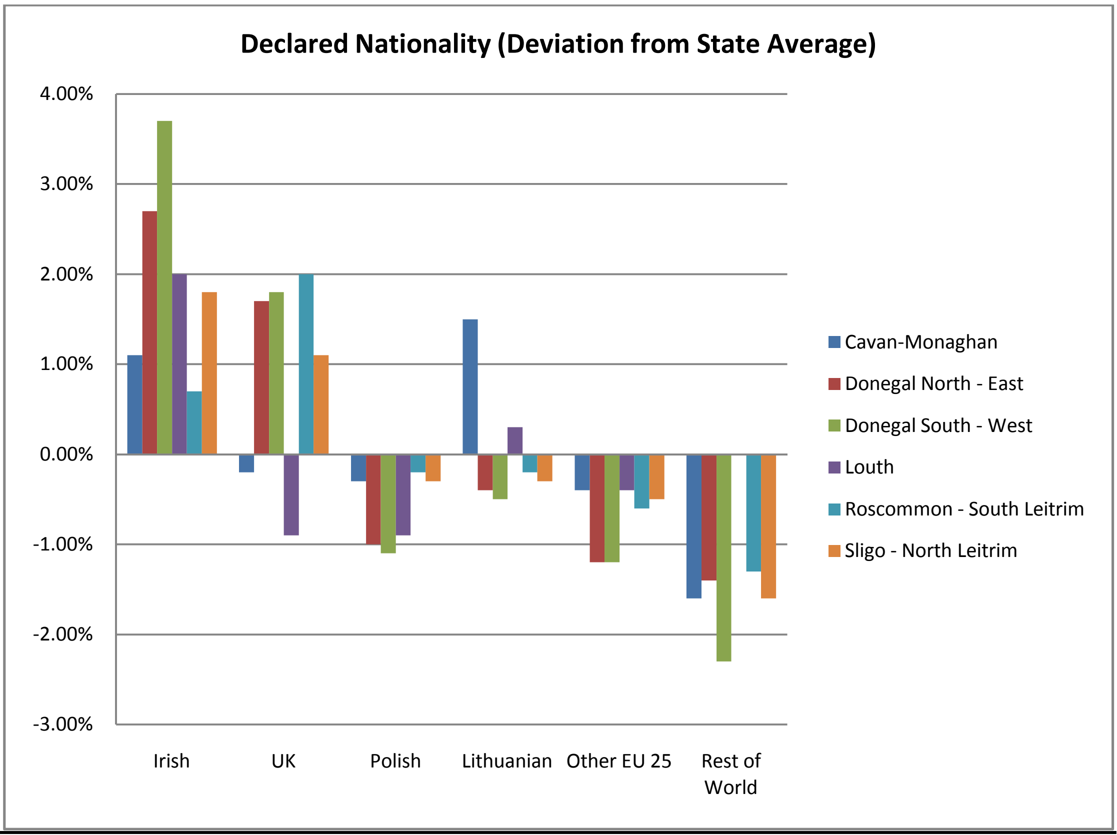
4.4 Migration

Most of the border region is rural and agricultural in character, and not superficially diverse. However, the 2006 census revealed that the two Donegal electoral constituencies were in the top 10 for residents born outside the state. This is chiefly on account of residents born in the United Kingdom. People born in Northern Ireland are entitled to consider themselves Irish if they please, and in order to get a more accurate reflection of their presence in the state, the census has asked participants to tell their nationality as well as their place of birth.

Table 7: Declared Nationality

Nationality	Irish	UK	Polish	Lithuanian	Other EU 25	Rest of World
Cavan-Monaghan	89.9%	2.5%	1.3%	2.0%	1.4%	1.9%
Donegal North - East	91.6%	4.4%	0.5%	0.2%	0.6%	2.0%
Donegal South - West	92.6%	4.5%	0.5%	0.1%	0.6%	1.1%
Louth	90.8%	1.8%	0.6%	0.9%	1.4%	3.5%
Roscommon - South Leitrim	89.5%	4.7%	1.3%	0.4%	1.2%	2.1%
Sligo - North Leitrim	90.7%	3.8%	1.2%	0.3%	1.3%	1.8%
State	88.8%	2.7%	1.5%	0.6%	1.8%	3.5%

Figure 15: Declared Nationality (Deviation from State Average)

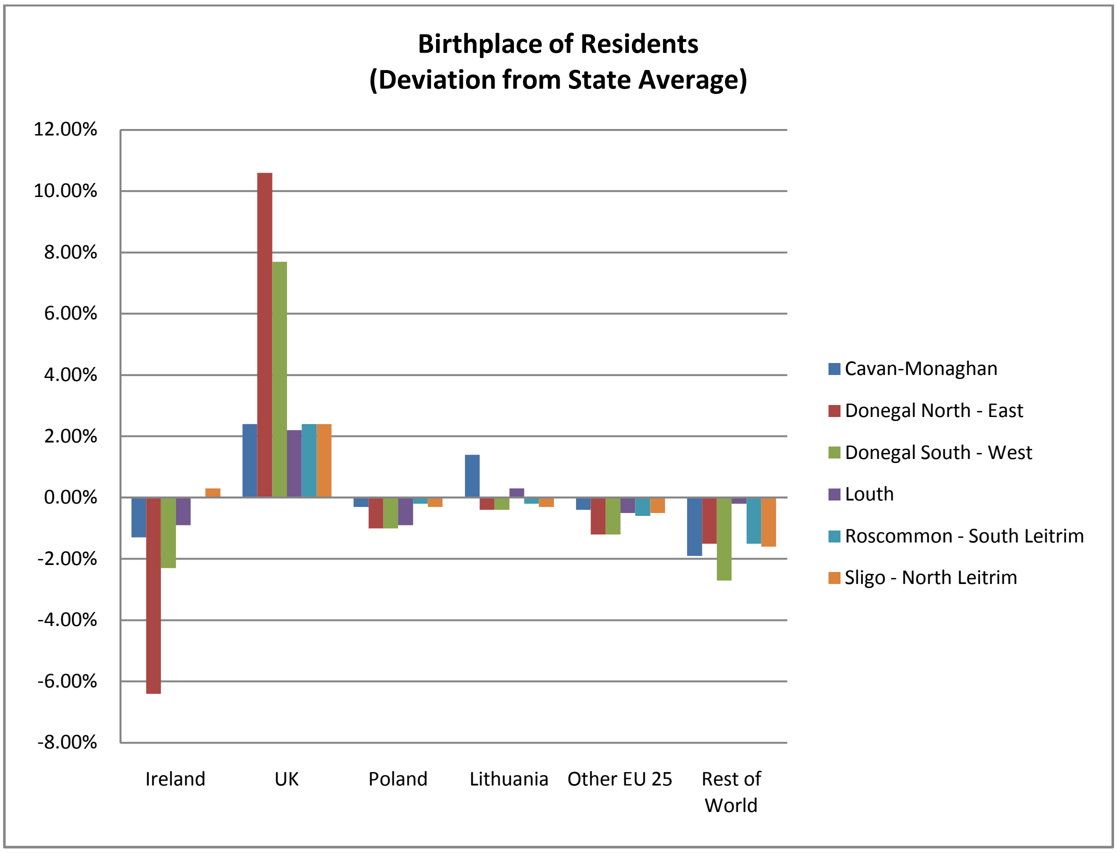


When looked upon purely as a matter of nationality, the figures seem rather innocuous. However, when looked at as a matter of birthplace, they tell a different story.

Table 8: Birthplace of residents

Place of Birth	Ireland	UK	Poland	Lithuania	Other EU 25	Rest of World
Cavan-Monaghan	84.0%	8.9%	1.2%	2.0%	1.5%	2.3%
Donegal North - East	78.9%	17.1%	0.5%	0.2%	0.7%	2.6%
Donegal South - West	83.0%	14.2%	0.5%	0.1%	0.7%	1.5%
Louth	84.4%	8.7%	0.6%	0.9%	1.4%	4.0%
Roscommon - South Leitrim	85.3%	9.0%	1.3%	0.4%	1.3%	2.7%
Sligo - North Leitrim	85.6%	8.9%	1.2%	0.3%	1.4%	2.6%
State	85.3%	6.5%	1.5%	0.6%	1.9%	4.2%

Figure 16: Birthplace of residents (Deviation from State Average)



In fact, all of the border constituencies are in the top 10 for hosting UK born residents in terms of proportion, and the two Donegal constituencies, Cavan-Monaghan and Louth each contain more UK born residents than any Cork or Dublin constituency. While historically there is a tradition of migrant Irish workers returning from Britain with Irish children born “across the water”, the figures for the Border constituencies are significant enough to warrant attention as a distinctive migration pattern.

Table 9: Proportion of UK born residents per constituency, ranked

Rank	Place of Birth	ROI born	UK born	Total Pop	Irish Born%	UK Born %
1	*Donegal North - East*	*59047*	*12771*	*74810*	*78.93%*	*17.07%*
2	*Donegal South - West*	*57999*	*9904*	*69875*	*83.00%*	*14.17%*
3	Mayo	103151	12258	121680	84.77%	10.07%
4	Cork South - West	62649	7250	75337	83.16%	9.62%
5	*Roscommon - South Leitrim*	*65619*	*6894*	*76939*	*85.29%*	*8.96%*
6	*Cavan-Monaghan*	*99678*	*10546*	*118626*	*84.03%*	*8.89%*
7	*Sligo - North Leitrim*	*59687*	*6189*	*69696*	*85.64%*	*8.88%*
8	*Louth*	*93116*	*9558*	*110300*	*84.42%*	*8.67%*
9	Kerry South	55981	5333	67087	83.45%	7.95%
10	Kerry North	59311	5202	68413	86.70%	7.60%

Table 10: Amount of UK born residents per constituency, ranked

Rank	Place of Birth	ROI born	UK born	Total Pop	Irish Born%	UK Born %
1	*Donegal North - East*	*59047*	*12771*	*74810*	*78.93%*	*17.07%*
2	Mayo	103151	12258	121680	84.77%	10.07%
3	*Cavan-Monaghan*	*99678*	*10546*	*118626*	*84.03%*	*8.89%*
4	*Donegal South - West*	*57999*	*9904*	*69875*	*83.00%*	*14.17%*
5	Galway West	103480	9616	127127	81.40%	7.56%
6	*Louth*	*93116*	*9558*	*110300*	*84.42%*	*8.67%*
7	Wicklow	111452	8589	128532	86.71%	6.68%
8	Wexford	115402	8530	130518	88.42%	6.54%
9	Clare	87421	7818	102979	84.89%	7.59%
10	Carlow-Kilkenny	117381	7475	132227	88.77%	5.65%

The statistics above demonstrate that, even with significant outward migration from these areas and lower than average immigration from mainland Europe and the rest of the world, there is significant inward migration from the UK, particularly in Donegal. Could this incongruity be explained by Northern Irish workers with jobs in Derry taking advantage of the competitive land prices and flexible planning system in the Republic? The table below gives the list of counties in Ireland with the highest incidence of residents working in the North.

Table 11: Residents of Republic Commuting to Northern Ireland

	Resident County in Republic	Total	Antrim	Armagh	Derry	Down	Fermanagh	Tyrone
1	Donegal	3,156	76	18	2,463	8	130	461
2	Monaghan	664	41	293	5	74	122	129
3	Louth	586	56	78	3	434	3	12
4	Cavan	372	9	7	0	10	338	8
5	Dublin	163	75	29	12	30	7	10
6	Leitrim	98	2	3	3	0	84	6
7	Meath	31	8	4	1	14	2	2
8	Kildare	28	9	1	4	4	7	3
9	Cork	23	10	0	9	2	2	0
10	Sligo	20	3	1	2	0	12	2

Clearly, the most significant feature is the extent to which Donegal is ahead of the other counties and, in particular, the extent to which the commuting is pointed to Derry. In fact, Donegal accounts for 59% of all "northbound" cross border commuting (even if, technically, they are moving in an easterly direction). In some geographic areas recorded in the 2006 census, over 10% of the local population were commuting to Derry (in the town of Kilderry, 21% of residents commuted to Derry).

Table 12: Residents of Donegal Commuting to Derry

Rank	Donegal Geographic Area	Local Population	Pop. Commuting to Derry	%
1	085 Kilderry	1744	367	21.04%
2	086 Killea	1547	224	14.48%
3	093 Three Trees	646	80	12.38%
4	070 Burt	1264	149	11.79%
5	068 Birdstown	1026	119	11.60%
6	074 Castleforward	909	105	11.55%
7	095 Whitecastle	883	79	8.95%
8	078 Fahan	1476	116	7.86%
9	084 Inch Island	438	33	7.53%
10	091 Redcastle	791	59	7.46%

Donegal's demographic character and proximity to a significant urban centre such as Derry make it an inevitable commuter catchment area. However, given the presence of a state border between it and the nearest job market, does this situation distort the local housing market?

4.5 Derry and the Cross Border Hinterland

Derry is the North's largest urban population centre outside the Greater Belfast area, and the major city on the North West of Ireland. The city contains key transport infrastructure for the entire region in The City of Derry Airport and the Port of Londonderry. The city hosts three major educational institutions (the North West Institute of Further and Higher Education, (NWIFHE), the University of Ulster at Magee (UU) and the Open University), contributing to Derry's youthful character. In addition, Derry has the highest number of US investors in Northern Ireland, with companies such as Dupont, Seagate, Stream International and Raytheon among the city's employers. The city is also has noteworthy retail, sporting, cultural, tourist and leisure opportunities. Its hinterland includes the neighbouring districts of Strabane, Limavady and parts of Donegal.

"Derry city has been one of the fastest growing settlements in Northern Ireland over the past three decades. Between 1991 and 2000 the DCC area's population grew by 9.5% compared to 5.6% for Northern Ireland as a whole. The Derry City Council Area has a relatively youthful population with almost half of the population being under 25 years of age" (Derry Chamber of Commerce 2002). This is in contrast to Donegal, where there roughly 37% of the population are under 25- a factor explained by a larger than average proportion of school-going age, many of whom leave for work or college and do not return. However, Donegal does have a higher than average proportion of residents over 50 years old.

"The Derry City Council area has a population of 106,900 of which over 85,000 live within the urban area. It is likely that the population of the area will rise to approximately 120,000 by 2013" (Derry Chamber of Commerce 2002).

Significant shrinking of the area's unemployment rate (4% decrease) was observed in the years 1996 – 2000. The unemployment figure at April 2001 for the Derry City Council area was 4,370. Meanwhile, across the border in Donegal, the census noted unemployment levels of over 10%, with certain districts within Donegal having unemployment of over 20%.[♣]

Donegal's recent economic history has been a disheartening one, with significant job losses in areas with already high unemployment. In particular, job losses on foot of the closure of the Fruit of the Loom and Magee & Co plants had a widespread impact, particularly given the manual nature of the work and age profiles of the laid off workers. The area has been marked by significant outward migration, long term unemployment, poor connectivity and an economic reliance on tourism.

A Price Waterhouse Cooper study published in 2001 on obstacles to mobility indicated that for the entire region (Northern Ireland plus Cavan, Donegal, Monaghan, Sligo, Leitrim and Louth) roughly 1.4% of the population were crossing the border between home and work, with 2,500 going from Northern Ireland to the Republic, and 9,000 going from the Republic to the North. A caveat was noted in that trades-people and casual labour crossing the border could not be satisfactorily counted, but the study did identify salary as a major factor in cross border commuting; the lower the expected salary, the less likely a person was to commute (Price Waterhouse Coopers 2001).

At the time, a trend pointing towards a "live in the south, work in the north" culture was not noted. However, a number of obstacles to cross border commuting were identified, many of which have since been addressed; for example, mutual recognition of education and other competences, high fees associated with transferring money "across the border", public transport arrangements and administrative matters regarding taxation have all been tackled to a greater or lesser extent. In fact, the 2001 census in Northern Ireland (conducted after the

[♣] Mín an Chladaigh, Inis Caoil and Dún Lúiche recorded over 20% unemployment. Árainn Mhór noted over 40% unemployment, but it should be noted that its population is 1058.

Price Waterhouse Cooper Study) indicated that over 6,600 residents in Northern Ireland were employed in the Republic; while this is still a small proportion of the workforce, it is a very significant increase in a short space of time. Southbound frontier workers were clustered in districts on the border near large Republic towns; in fact, the top four districts represent over half of all southbound cross border commuters.

Table 13: Northern Irish Residents Working in Republic, 2001

District	In Employment	Work in ROI	% Work in ROI
Newry and Mourne	31873	1487	4.67%
Fermanagh	22782	921	4.04%
Derry	36225	721	1.99%
Omagh	18607	405	2.18%
Strabane	13339	401	3.01%
Armagh	22302	384	1.72%
Antrim	22437	301	1.34%
Belfast	100826	301	0.30%
Lisburn	47400	293	0.62%
Dungannon	18463	176	0.95%
Craigavon	32994	161	0.49%
North Down	34629	152	0.44%
Down	26881	149	0.55%
Limavady	12944	109	0.84%
Coleraine	23156	106	0.46%
Banbridge	18757	89	0.47%
Newtownabbey	36291	85	0.23%
Ards	33268	77	0.23%
Magherafelt	16478	64	0.39%
Cookstown	12385	50	0.40%
Castlereagh	30242	46	0.15%
Carrickfergus	17175	35	0.20%
Ballymena	26500	33	0.12%
Moyle	5949	26	0.44%
Larne	13465	17	0.13%
Ballymoney	11274	16	0.14%
Northern Ireland	686644	6605	0.96%

A particularly significant impediment to mobility noted was the price of housing, with employers and recruitment agencies citing it as a difficulty in getting Northern job candidates to relocate to the Republic.

“In the surveys of individuals, over 50% stated that [the cost of housing] was important or very important. A similar view was provided by the survey of recruitment agencies. Employers in the South also stressed this issue when discussing their problems in attracting potential employees from the North. One of the case studies involved an unemployed Northern individual, who was job-seeking in the South, and who stated that he needed to secure a much higher salary to compensate for the higher housing costs in the South" (Price Waterhouse Coopers 2001).

A number of features of the housing problem were noted in the report:

- Housing costs "represent a large component of household expenditure and, crucially, are the principal item of expenditure where large price differences exist between North and South", and are a significant potential barrier.
- Housing is "obviously an obstacle in one direction, unlike other issues".
- The relatively high cost of housing in the South is "a general economic and social problem that may not be amenable to an administrative solution… ultimately a function of demand relative to supply".
- Finally, it is an issue facing all migratory workers, not just frontier workers.

(Price Waterhouse Coopers 2001)

The Price Waterhouse Coopers report cites that in 1995, house prices were broadly comparable in the two jurisdictions, but subsequent growth revealed a significant divergence, with annual double digit growth in the Republic. In the next chapter I will examine the house prices in the North and Border market and note how much has changed since that report was prepared.

Chapter 5: Housing & the Market

In this section I will consider the nature of housing markets, the perils of state intervention in them and the hazards and inefficiencies associated with housing markets in cross border areas. I will examine the housing market in another European area with much cross border commuting and see what lessons can be applied to the Irish situation. When considering the data in relation to cross border housing market activity, it is worth considering an established European example of cross border commuting affecting a trans-national housing market, the problems and opportunities this situation presented, and examining the Irish data, with a view to how prepared the two jurisdictions are to dealing with these issues. The National Spatial Strategy in Ireland, which seeks the redress underdevelopment of the regions by encouraging concentric urban spatial growth, took Denmark as its model; it a country of similar size and population, with a comparable concentration of business and influence in its capital city, Copenhagen. However, polycentric regional development has been impressive in Denmark "with urban centres at strategic locations acting as national 'locomotives' of regional growth-embracing a positive partnership between town and country and which recognises the strengths of both cities and diversified rural districts" (National Spatial Strategy 2002-2020 2002). Denmark is particularly of note in that it has an experience of cross border commuting that is salutary in the Irish context.

5.1 The Øresund Example- Cross Border Commuting Between Denmark & Sweden

The Øresund Bridge between Malmö and Copenhagen which opened in 2000 was a joint venture of the Swedish and Danish governments for both areas to benefit from the business and social possibilities of increased mobility in the entire region, which is now the most densely populated in Scandinavia and one of the most economically important in Northern Europe. Although initially, use of the bridge was below expectations, it has since increased dramatically, largely on account of active cross border commuting facilitated by different economic conditions in Sweden and Denmark. A report from the Øresundsbro Konsortiet notes that "Traffic across the Øresund Bridge rose by 16% from 2005 to 2006. In 2006, 15,800 vehicles crossed the Øresund Bridge every day… Rail traffic across the bridge rose by 17% in 2006. As a result, almost 60,000 travellers now cross the bridge by car, bus or train on a daily basis" (Øresundsbro Korsortiet 2007). For comparison purposes, the population of Limerick City in the 2006 census was 52,539.

Sweden suffered a recession in the 90's and as a consequence, there was high unemployment and low property prices in Malmö and Skåne at the time of completion. Meanwhile, Denmark and in particular Copenhagen had the opposite problem of labour shortages and rising property costs.

"The Danish labour market with its shortage of labour, combined with higher unemployment in the Malmö area and differences in real wages and salaries after transport and tax, has persuaded many Swedes to seek work in Copenhagen… daily commuting across the bridge has increased from 4,000 individuals in 2001 to 14,000 in 2006… this figure [is expected] to rise to approximately 40,000 commuters by 2020. 80 – 90% of these commuters will live in the Malmö area and work in Copenhagen" (Øresundsbro Korsortiet 2007).

Table 14: Differences in Housing Prices, Copenhagen: Malmö, 1999 (DKK)

	Greater Malmö	Greater Copenhagen	Difference
Price per m^2	7,900 (€1,062)	11,800(€1,587)	49%
Average purchase price	1,060,000 (€142,559)	1,640,000 (€220,563)	55%

While it is tempting to see this happy situation as the free market resolving itself through migration, it should be noted that the problems both Sweden and Copenhagen were experiencing which appear to be resolved by Øresund are consequences of the policy decisions of both states, policies which have not been resolved in face of the preferences shown by commuters. Both states are typical of the Scandinavian social democratic model typified by collective bargaining, an active welfare state and an emphasis on producing high quality graduates and companies rather than competing on cost. However, there are differences.

Regarding labour policy, Denmark uses a balance of high unemployment benefits –up to a maximum of four years- with a limited amount of worker protection regulations to facilitate staff mobility between jobs and sectors. The policy objective is maximising worker opportunity, rather than worker protection. Sweden, on the other hand, has a good deal of legislation in place to protect workers from losing their jobs, and only allows a person to seek unemployment benefit for 300 days. Correspondingly, there is less mobility between jobs and sectors, and less long-term unemployment, presumably because the option is unavailable. And while both states have collective bargaining arrangements for setting wages, this is done at a central government level in Sweden but at a regional level in Denmark, thereby forcing a Swedish employer to pay similar rates to a Stockholm worker as they do to one in a more remote region. Collective bargaining in Ireland through Social Partnership is done, like Sweden, at a central level, with similar implications for regional policy.

From the employer's perspective, both countries require that just cause be provided in dismissing staff, but Sweden adheres closely to the "last in/first out" principle in layoffs whereas Denmark gives leeway to allow recognition of staff merit to trump seniority. While the Swedish working week is longer (40 hours compared to Denmark's 37), there is no legal maximum for overtime hours in Denmark, whereas monthly and annual limits are enforced in Sweden. Danish employers enjoy a further relative benefit in that they are not stung for their employee's social security contributions, which are funded primarily through income tax there. As the social contribution wedge - the difference between the employer's gross labour costs and employee's net income after social security contribution- is lower, the gap between labour productivity and labour cost is narrower in Denmark and employers have a greater incentive to increase the labour force.

From the worker's perspective, Danish staff face a shorter trial period of employment, if any at all, compared to trial periods of up to six months for most Swedish staff (and longer for staff under 25). Taxation and social security in Denmark don't make a distinction between wages from different income sources, encouraging suitably inclined workers to do "nixers" should the opportunity arise. And while there is a high incidence of part-time work in both economies, it is believed that Sweden's strict dismissal rules and restrictions on receiving unemployment benefit over a long period have created a class of part-time workers who would prefer a full time opportunity. In fact "Involuntary unemployed part-time workers as a share of all part-time employed increased from 15% in 1989 to a peak of 35% in 1997, but then declined to 25% in 2000 (OECD, 2001).

So it seems logical that, even if wages weren't higher at present, the Danish model is more geared to an entrepreneurial, risk taking culture. There are further differences in that the Malmö/Skåne region in Sweden has cheaper childcare and greater access to the countryside, making it a more attractive location for families even before lower property prices and general living costs are considered. In fact, in 2006 "a total of 4,284 people from Zealand packed up their worldly goods and moved to Sweden. This is an increase of 38% compared to 2005 and six times the number compared to 1999" (Øresundsbro Korsortiet 2007).

Regarding the fluctuations in migration from Copenhagen to Malmö/Skåne, it is interesting to note from an Irish perspective that migration was strongly influenced by house price differences, stalled upon the introduction of interest only mortgages from Danish banks, only to be reignited when these mortgages forced prices up even higher (Øresundsbro Korsortiet 2007). There are, of course other factors, one of which is the fact that up until the recession in the 90's, the Swedish government would "buy migrant households out of their unsaleable houses in regions of weaker labour and housing markets". This courtesy was discontinued in the face of recession, as were construction subsidies (Öhman and Lindgren 2007).

Thus the Øresund Bridge has facilitated the extension of the Copenhagen hinterland to include a chunk of Sweden, creating a new European region where citizens can cherry-pick from a booming, high enterprise economy and a sensitive, welfare driven society. But how is the caring society paid for? What of Denmark's obligations to its citizens? And what lessons can Ireland learn from this?

The 2003 OECD report on the Øresund region notes that not only are taxation arrangements between Sweden and Denmark not levelling the playing field between the two Øresund regions, but that the administrative burden generated by these arrangements is hindering mutual progress in the region.

“Differences in the fiscal architecture therefore exacerbate a spatial trend that is already visible within the Øresund metropolitan area and that is influenced more generally by higher Danish salaries and by lower housing and living expenses in Sweden… the administrative complexities and opacity of the whole system create numerous disincentives to set up businesses and subsidiaries or to share working time between both countries” (OECD 2003).

The report noted that the most recent agreement between the two countries for the distribution of cross-border tax revenue (which is based on the OECD Tax Convention signed in 1997) shifted emphasis from being residence based to workplace based. As the commuting traffic is predominantly one-way, this puts pressure on the Swedish side, who naturally sought a re-negotiation of this. The OECD report suggested two options based on European precedents for the Øresund partners:

“Sweden and Denmark could follow the approach adopted between Germany, Belgium and the Netherlands that apply the Tax Convention but send a part of the tax revenue to the country of residence… or the German-Swiss model – where the workplace country taxes wages at a reduced rate, and the country of residence deducts those taxes from the tax bill” (OECD 2003).

5.2 Lessons from Øresund for Ireland

Cross border commuting is a concern of regional policy. Centralised decision making on policy matters affects regions heterogeneously, and the presence of an open border contributes to the economic character of a region. Centralised decision making on employment policies in Sweden may have contributed to long term unemployment in parts of Sweden, and access to the Danish labour market for Malmö/Skåne has provided locals with an alternative to migration or long term unemployment. Ireland shares Sweden’s centralised approach to collective bargaining and minimum wage arrangements; these hinder regions with little existing business agglomeration or infrastructure from competing on cost for investment.

Wage and opportunity disparities can cause cross border commuting in neighbouring areas. Local property prices are an outcome of local wages (and credit availability), rather than vice versa; the price differences that stimulate cross border activity are driven by the labour market rather than the property market, as the generation of employment exceeds the availability of suitable accommodation in the local region. Subsequently, cross border commuting can cause house prices in a jurisdiction to be unduly affected by non-local incomes. This should be noted where a depressed region borders an area of economic growth, such as Donegal: Derry and Cavan: Fermanagh, as well as balanced border areas where a central change in policy could alter the local balance, such as Newry: Louth.

Even if equilibrium is reached in the housing market, different salaries, currencies and access to credit in different jurisdictions can distort this to one state's favour. Sweden's high standards of state provided healthcare and education may very well contribute to a worker choosing to live there even when the price difference becomes insignificant. Differences in taxation and certain regulations may contribute to a worker choosing to live in the Republic over the North.

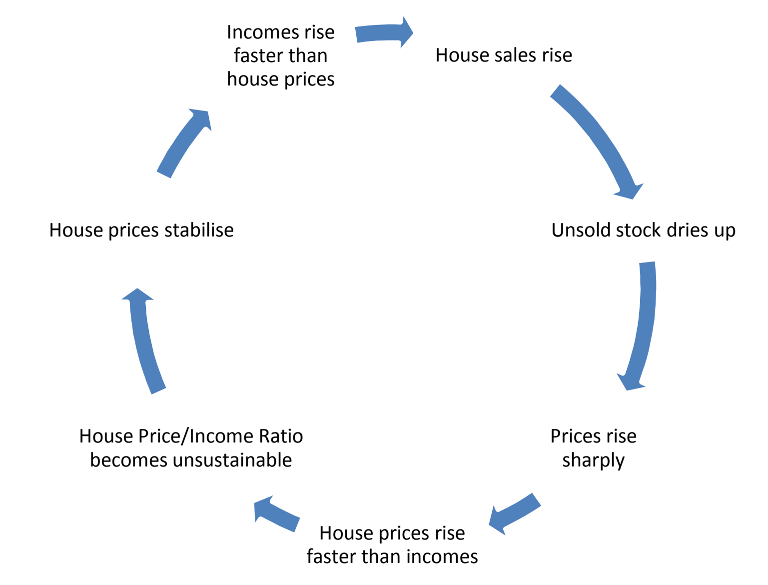
Finally, cross border commuting is not an ideal solution to problems of affordability. While it remains an attractive alternative to emigration and may even contribute to the repopulation of depressed regions, the effect on land rents may prevent the residential region from developing into a rival business agglomeration, much the same as a commuter town near a big city. Cross border commuting may conceal how economically vulnerable a region actually is and prevent policymakers from addressing the core problems in a region.

5.3 Recent Performance of the Irish Housing Market

The most salient feature of housing in recently in both jurisdictions is the performance of the housing market- the housing market in the Republic has, until recently, experienced unprecedented growth and in Northern Ireland, the Peace Dividend has contributed to house prices growing faster than any other part of the UK aside from London and the Greater London Area. The Peace Dividend is also responsible for Northern Ireland attracting previously unavailable Direct Foreign Investment, giving business there a further advantage over the already less developed border counties.

Whether or not the housing boom is a good thing or a bad thing is a matter for debate. Clearly, many people are delighted that their homes have increased dramatically in value, although this value can only really be cashed in on if their home is sold or rented out- which would involve the homeowner finding new accommodation, which has presumably also risen in price. Regarding house price cycles, Chris Hamnett states that the three essential stimuli in causing a boom are "changes in the number of people in the key first time buyer age groups…, increases in real income and mortgage availability" (Hamnett 1999).

Figure 17: Hamnett's Model of House Price Cycles



Hamnett's house price cycle model, identifying the typical boom-bust pattern of the market.

Note that construction activity is not presented as a factor; the timescales involved in responding to market changes and the conservative nature of the sector mean that construction activity is a response to, rather than a driver of, house prices.

Some commentators have noted with alarm that the profitability of buying to rent and property speculation has deferred investment away from sectors where high value employment could be created, and it has also been noted that the proportion of Irish workers in the construction sector is particularly high, leaving the entire economy vulnerable in the event of a sectoral downturn. In 2007, global economic factors sparked rumours of a downturn and subsequently there appears to be a levelling off and even a drop of sales prices in many areas. Nonetheless, the rental market still appears quite strong. Since 2004, both the United Kingdom and Ireland have been among three European states to fully welcome citizens of the ten new member states seeking better employment opportunities, and the increased migrant population has maintained a high demand for rented accommodation.

The border counties in Ireland have traditionally been less developed than the East and South Coasts, with less employment and educational opportunities. Furthermore, these areas have been more vulnerable to price and policy differences between the North and the Republic than other counties, with local businesses suffering the impact of the smoking ban, currency fluctuations and tax rises inevitably causing more hardship in a place where their sting can be avoided. However, it is dangerous to generalise as in some cases the notion of a "border region" is an anomaly, complicated by the other major divide in Ireland- the East West divide. Historically, Ireland's eastern coast developed faster than the west through its proximity to Britain and Europe, and the asymmetrical development of the two coasts has been self-reinforcing.

Regarding the relative prosperity of the east coast, it is important to state that the recent housing boom in Ireland has been a Dublin boom. Although prices have risen dramatically throughout the country, including the border area, it is striking to note that, if we look at regional prices as a percentage of average Dublin prices, most areas have dropped considerably. Consider the following two charts:

Figure 18: House Prices in Border 1995 - 2006

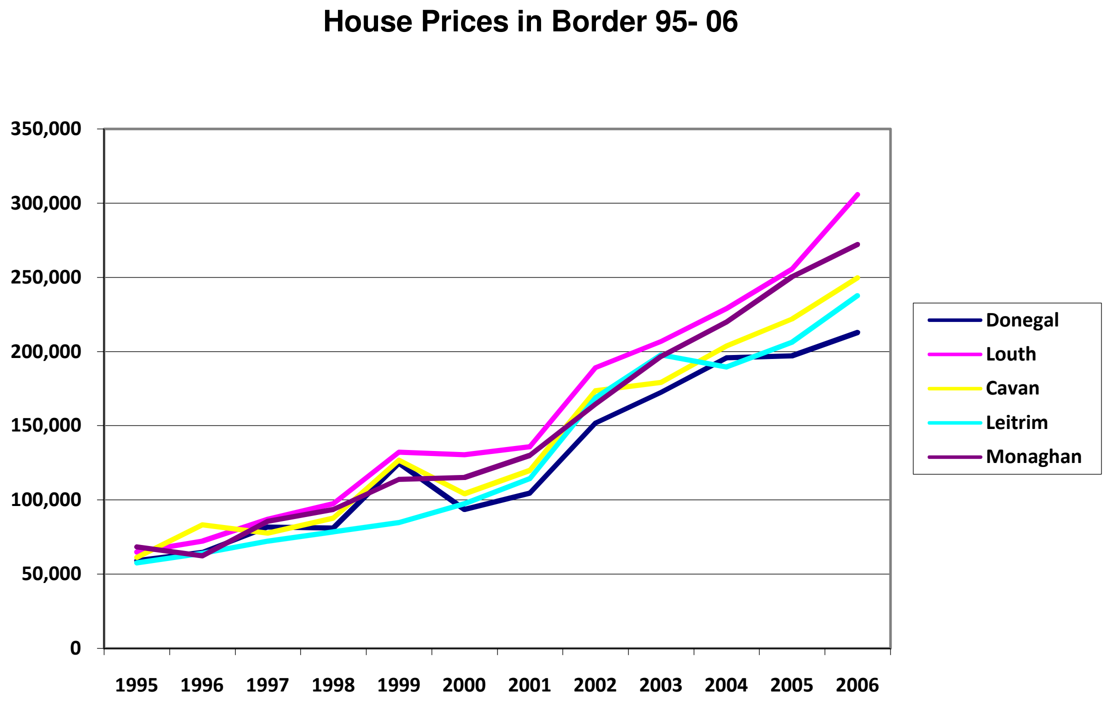
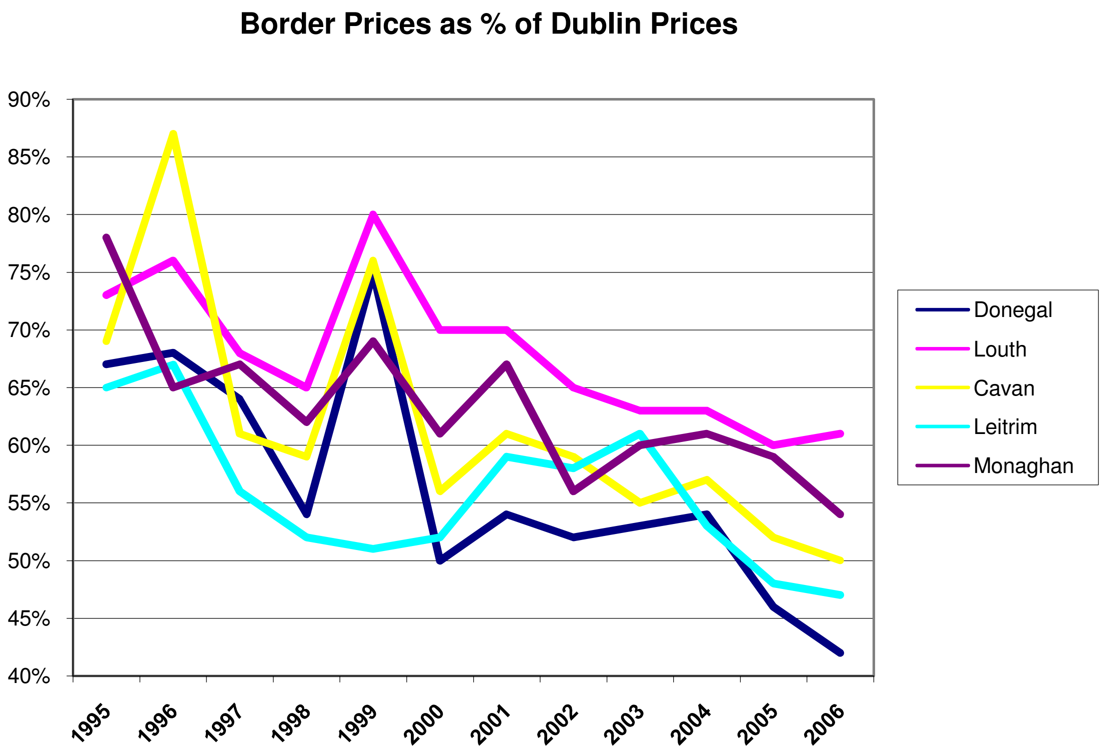


Figure 19: House Prices in Border, as a percentage of Dublin Prices, 1995 - 2006



The fact that prices have more than trebled in border counties while simultaneously nose-diving in proportion to Dublin illustrates the imbalance in the Irish housing market.

5.4 The Role of Taxation in the Border Housing Market

It is worthwhile to examine differences in the tax regime between Northern Ireland and the Republic given the role taxation has in shaping and altering incentives in the housing market. Note that the role of mortgage relief on income tax will be addressed in the "housing & social policy" chapter as a welfare intervention. The taxation regime in The Republic of Ireland has been widely praised as instrumental in sustaining economic growth and inviting investment since the late 90s. In particular, the low rate of corporate tax has made the Republic an attractive destination for foreign companies to locate their European bases. Low corporation tax was certainly a factor in redressing the infrastructure deficit Ireland suffered relative to Europe, and facilitated job creation to the point where Ireland turned from a net emigration society to one with net immigration.

In order to operate an economy with (relatively) low income tax and low corporation tax, revenue needed to be acquired from other means, and indirect taxation has proven a particularly pervasive policy tool. In particular, stamp duty levied on property sold has been a powerful but controversial tool both for collecting revenue and for manipulating the housing market. High exchequer returns from stamp duty have enabled the government in the Republic to increase public spending while lowering direct taxation; this situation may not continue in the event of a further downturn in the Irish economy.

As has been previously discussed, local government in Ireland has little capacity to raise funds, and the costs of providing much local services come from allocations from central government, as well as direct transactions such as bin tags and motor tax. In Britain, including Northern Ireland, a rates system is in operation where homeowners pay a monthly tax based on the value of their home which pays for local services. As the rates system taxes property continuously, stamp duty is lower in the North than in the Republic, where property is taxed at point of sale (where exemptions can apply, particularly for speculators but also for first time buyers).

The table below illustrates the differences in the Stamp Duty amounts between the two jurisdictions.

Before 5/12/2007		***After 05/12/07***		***Northern Ireland***	
Property Value	Rate	Property Value	Rate	Property Value	Rate
Up to €127,000	Exempt	Up to €125,000	Exempt	between £120,001 and £250,000	1%
€127,001 - €190,500	3%				
€190,501 - €254,000	4%	Next €875,000	7%	between £250,001 and £500,000	2%
€254,001 - €317,500	5%				
€317,501 - €381,000	6%				
€381,001 - €635,000	7.5%	Balance	9%	more than £500,000	3%
Over €635,000	9%				

Table 15: Stamp Duty in Northern Ireland & the Republic of Ireland

By way of explanation it should be pointed out that before 05/12/07, stamp duty in the Republic for the entire property was charged at the appropriate band; a person buying a property for €250,000 paid 4% stamp duty of €10,000, rather than 3% of the first €190,500 and 4% of the balance. Recent changes mean that a property priced at over a million euro will be charged €61,250 on the first million and 9% on the balance.

More favourable conditions are in place for first time buyers; since 05/12/07 first-time buyers are exempt from stamp duty on new and second-hand houses and apartments; previous to this no duty was charged on properties below €381. Technically, purchasers who owned property abroad were not eligible for first time buyer status, but in practice, the mechanisms for enforcing this rule do not extend far beyond the “honour system” of a purchaser declaring their other properties.

Clearly the figures are significantly lower in the North. But does the North still represent better tax value once rates have been included in the equation? Stamp duty has been extremely unpopular in the Republic, particularly because it is a tax home-buyers have to borrow money to pay. However, when divided by the lifetime of a mortgage, stamp duty may compare favourably to rates, particularly given the increase in mortgage terms. By way of comparison to the rates given below, at the current system the one-million-euro house in the Republic would be charged €61,250 stamp duty; if a couple were to get a thirty year mortgage, this would amount to €2,041.67 a year (roughly £1,388.34 sterling). Bear in mind that the average house prices below are generally a good deal below one million euro.

For domestic properties in Northern Ireland, the rateable capital value (the amount a given property could reasonably have sold for on the open market on a nominated day, currently, 1 January 2005) is multiplied by the total of the regional rate (the same throughout Northern Ireland) and the district rate. The ratings are given in the table below, from highest to lowest.

District Name	Domestic Rate	Domestic Rates	Domestic Poundage
	Region	*District*	*Poundage*
Limavady*	0.003608	0.003555	0.007163
Moyle	0.003608	0.003550	0.007158
Derry*	0.003608	0.003533	0.007141
Craigavon	0.003608	0.003474	0.007082
Omagh*	0.003608	0.003400	0.007008
Armagh **	0.003608	0.003393	0.007001
Larne	0.003608	0.003318	0.006926
Carrickfergus	0.003608	0.003195	0.006803
Antrim	0.003608	0.003159	0.006767
Ballymena	0.003608	0.003157	0.006765
Strabane*	0.003608	0.003127	0.006735
Banbridge	0.003608	0.003121	0.006729
Down	0.003608	0.003065	0.006673
Newtownabbey	0.003608	0.002999	0.006607
Ballymoney	0.003608	0.002878	0.006486
Newry & Mourne**	0.003608	0.002803	0.006411
Coleraine	0.003608	0.002654	0.006262
Cookstown	0.003608	0.002654	0.006172
Belfast	0.003608	0.002540	0.006148
Ards	0.003608	0.002493	0.006101
Dungannon ***	0.003608	0.002434	0.006042
North Down	0.003608	0.002402	0.006010
Lisburn	0.003608	0.002314	0.005922
Magherafelt	0.003608	0.002278	0.005886
Fermanagh ***	0.003608	0.002172	0.005780
Castlereagh	0.003608	0.001902	0.005510

Table 16: Current Domestic Rates in Northern Ireland

* Shares border with Donegal ** Shares border with Louth

*** Shares border with Cavan/Monaghan

Note that rates are quite high near the Donegal border and quite low near the Louth Border. Perhaps it is the case that rates need to be higher in areas where property prices are lower to make up revenue, nonetheless if people in less expensive areas (presumably on lower incomes) are disproportionately stung for rates, then it is a regressive measure.

The following table presents average house prices for the 04/05 period for the various districts in Northern Ireland (covering the date the rate values are taken from) and shows the annual domestic rates that would be applicable for the average house. To illustrate how domestic rates deviate from house prices, rankings for both are given (1: highest rates/highest average house price, etc).

Table 17: Average Rates & Average Prices by NI District

District Council	Average House Prices 2004/05	Domestic Rates Poundage	Average Rates (£)	Rates Rank	Price Rank
North Down	266,677	0.006010	1602.73	1	1
Ballymena	197,064	0.006765	1333.14	2	6
Lisburn	224,752	0.005922	1330.98	3	2
Antrim	192,701	0.006767	1304.01	4	7
Coleraine	205,466	0.006262	1286.63	5	4
Moyle	176,637	0.007158	1264.37	6	13
Down	188,973	0.006673	1261.02	7	8
Carrickfergus	182,524	0.006803	1241.71	8	11
Castlereagh	224,697	0.005510	1238.08	9	3
Belfast	198,221	0.006148	1218.66	10	5
Newtownabbey	184,426	0.006607	1218.50	11	10
Limavady	164,999	0.007163	1181.89	12	16
Armagh	163,892	0.007001	1147.41	13	17
Craigavon	160,562	0.007082	1137.10	14	19
Magherafelt	188,926	0.005886	1112.02	15	9
Derry	154,946	0.007141	1106.47	16	20
Newry & Mourne	171,081	0.006411	1096.80	17	14
Ballymoney	169,026	0.006486	1096.30	18	15
Banbridge	162,114	0.006729	1090.87	19	18
Ards	178,574	0.006101	1089.48	20	12
Larne	139,865	0.006926	968.70	21	23
Omagh	130,622	0.007008	915.40	22	25
Cookstown	142,810	0.006172	881.42	23	22
Fermanagh	147,314	0.005780	851.47	24	21
Dungannon	137,245	0.006042	829.23	25	24
Strabane	117,816	0.006735	793.49	26	26

A casual glance across this table will show that despite some conformity, particularly at the lower end of the scale, there are some noticeable deviations between pricings and ratings. In particular, the districts of Derry, Limavady, Omagh and Armagh are rated unfavourably relative to house prices (the highest unfavourable discrepancies were for Moyle and Craigavon). The most favourable ratings -where rates are relatively low in relation to higher property prices- are in Ards but also in Fermanagh, Newry & Mourne and Belfast.

So the property taxation system in the North, leaning more heavily on western residents, does not discourage present cross border commuting patterns where Derry workers base themselves in Donegal and residents of Newry and Belfast enjoy the economic opportunities of the Greater Dublin Area. Furthermore, prices in Northern Ireland are particularly volatile, and a 2005 pricing could represent a bargain for some areas. Unlike the Republic, where prices are dominated by the influence of the Dublin market, the northern market lacks such a linchpin. The following table shows annual percentage price increases in Northern Ireland and demonstrates the extraordinary peaks and valleys of prices there.

House Price Changes in Northern Ireland 2000 - 2007

District Council	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Antrim	33.33%	2.61%	3.65%	-2.24%	12.13%	2.27%	18.67%
Ards	10.39%	3.68%	3.21%	7.41%	7.52%	38.04%	17.30%
Armagh	10.40%	3.38%	12.84%	1.88%	21.66%	15.45%	19.74%
Ballymena	18.42%	2.79%	16.75%	17.26%	7.71%	10.49%	11.34%
Ballymoney	18.55%	5.41%	11.96%	-4.51%	58.26%	16.72%	12.07%
Banbridge	30.90%	3.37%	12.69%	-1.15%	13.91%	24.34%	15.33%
Belfast	22.30%	-2.05%	7.97%	-14.34%	14.12%	2.61%	19.67%
Carrickfergus	18.75%	12.57%	11.38%	1.57%	4.66%	29.02%	6.02%
Castlereagh	31.13%	10.07%	-3.30%	17.42%	5.13%	-6.30%	18.64%
Coleraine	2.41%	-0.20%	20.63%	2.75%	10.57%	39.67%	10.30%
Cookstown	14.97%	5.28%	5.14%	-3.69%	29.16%	23.06%	15.84%
Craigavon	19.42%	7.00%	5.76%	-2.84%	3.64%	8.60%	18.74%
Derry	14.67%	14.08%	11.75%	-3.21%	45.37%	39.80%	5.08%
Down	12.46%	7.66%	20.64%	-8.48%	18.15%	34.23%	29.85%
Dungannon	23.42%	7.92%	4.27%	-14.77%	17.36%	5.98%	26.91%
Fermanagh	20.68%	21.23%	16.14%	4.18%	19.95%	-0.33%	36.95%
Larne	17.14%	13.41%	6.45%	10.83%	16.19%	16.55%	15.04%
Limavady	17.24%	3.27%	4.65%	-5.36%	9.01%	16.06%	16.99%
Lisburn	24.63%	-1.61%	1.90%	22.25%	17.32%	-3.61%	40.96%
Magherafelt	38.63%	2.05%	-1.66%	6.48%	2.08%	30.15%	22.61%
Moyle	23.95%	1.99%	9.96%	-4.74%	20.78%	5.20%	20.16%
Newry & Mourne	27.77%	1.14%	6.16%	-6.25%	25.24%	9.02%	47.94%
Newtownabbey	29.22%	6.32%	6.81%	2.57%	5.85%	5.54%	36.98%
North Down	25.40%	3.72%	7.13%	7.88%	5.47%	4.80%	30.86%
Omagh	-3.61%	56.28%	-10.04%	-27.13%	19.41%	-0.41%	42.09%
Strabane	26.57%	-15.80%	14.51%	20.72%	6.55%	24.50%	13.29%

Table 18: House Price Changes in Northern Ireland 2000 - 2007

Clearly it is not expedient to change the rateable capital value every year, but some districts in Northern Ireland have increased by over 50% in that time (Cookstown has shot up 74.3% since 2004/05) and other districts have had more modest growth.

So we approach the house price statistics for the whole border area with the knowledge that, in addition to different areas having different access to employment and social opportunities, the rates system does not redress east-west imbalances in Northern Ireland, but may in fact reinforce them. Furthermore, Northern rates are less favourable than Southern stamp duty in the long run and opportunities are available to the cynical to avoid this inconvenient tax.

5.5 Housing Price Differences in the Border Area

A caveat regarding statistical asymmetry needs to be noted before considering the house price data for the North and Border area. The data in the republic is assembled according to calendar year, (2001, 2002 etc) whereas the data in the North is given as a tax year (2001/02, 2002/03 etc). There is also the small matter of currency difference between the two jurisdictions.

I have attempted to resolve this anomaly by giving two data points per calendar year, with the sterling figure converted into Euro. Therefore, a Northern figure for 2001/2002 is entered twice, once at the 2001 exchange rate and then at the 2002 exchange rate. The exchange rates used are taken from the Central Bank archives, and represent the average of all the given figures for each year. I have also provided a graph to indicate the Euro to Sterling exchange rate for the given years to give an impression of currency fluctuations at the time.

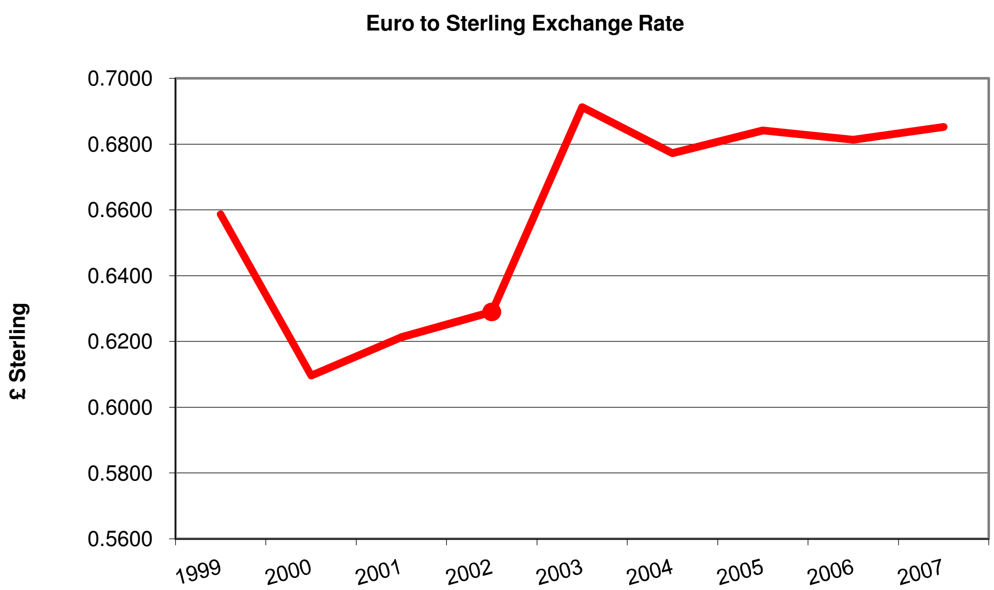


Figure 20: Euro to Sterling Exchange Rate, 1999 - 2007

After an initially rocky start, the Euro regained lost ground and has traded at roughly £0.68 since 2003. Disparity between the Irish and larger European economies participating in the Euro has resulted in very favourable interest rates, making relatively cheap credit available to

Irish house buyers. Based on currency factors alone, we can expect to see a drop in Northern prices relative to prices in the Republic between 2002 and 2003.

The Irish Border is a wide ranging area and residents in different parts are faced with different economic hazards and opportunities, as well as having to respond to the decision making of different local authorities. I will consequently be looking at individual counties in the East and the West of the Border area, in comparison to their nearest neighbours in the North.

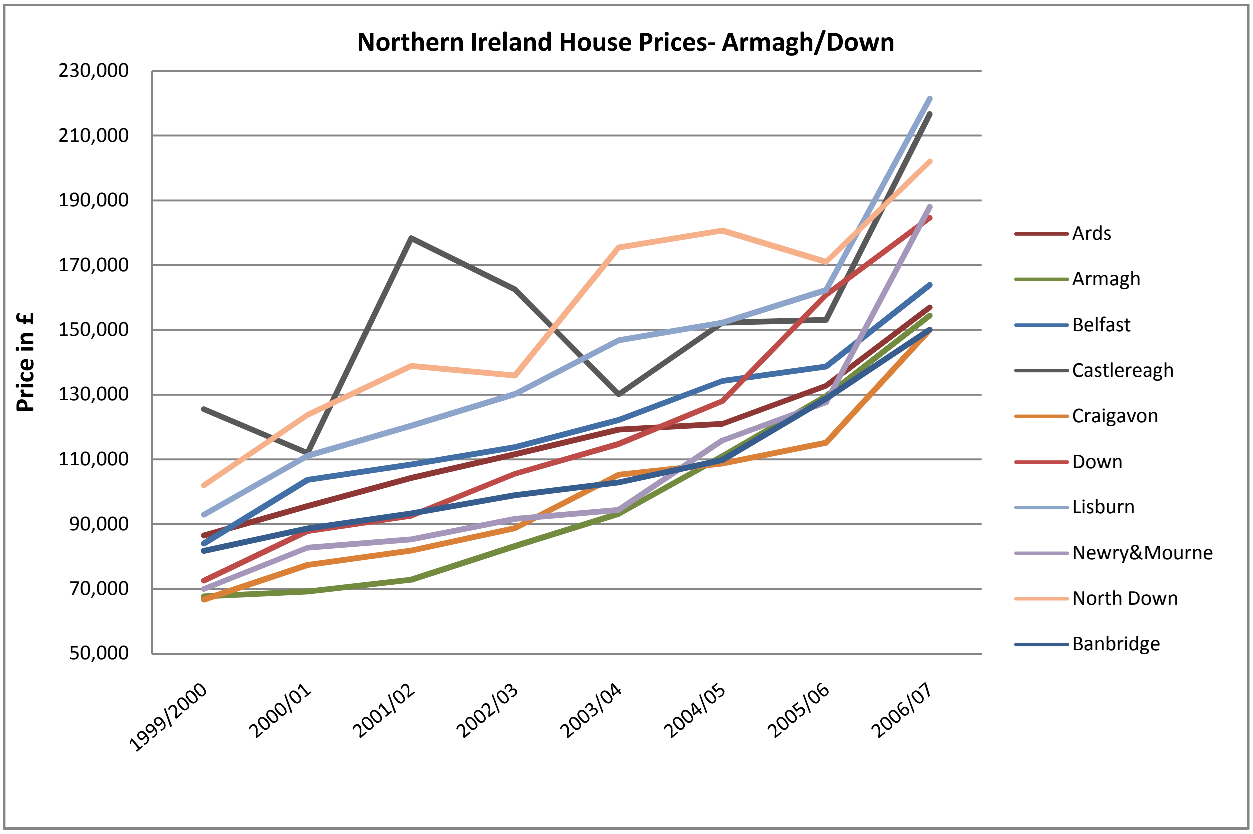


Figure 21: Northern Ireland House Prices (Armagh/Down) - 1999 - 2007

The above chart presents Northern Irish house prices only, which are given in Sterling. What is particularly noteworthy is the *volatility* of the Northern house price market, chiefly at the higher end of the scale, in the coastal suburbs of Belfast (Castlereagh and North Down). Traditionally, affluent suburbs near a major city are the soundest in a housing market, but in Northern Ireland these areas are marked by dramatic peaks and valleys, unlike the steady price growth in a more modest region such as Ards. Could the fact that house hunters with more disposable income and an inclination to commute have two residential jurisdictions to choose between be a factor in this fickleness?

The last census held in Northern Ireland was in 2001, which noted 0.96% of the population stating that their place of work was in the Republic. While this is hardly an earth shattering figure, a number of considerations are needed to put this in context.

i. The Republic was a "top 5" work destination for the commuters in the districts of Derry (No 5, 2%), Fermanagh (No 3, 4%), Newry & Mourne (No 3, 4.7%) and Strabane (No 3, 3%).
ii. A number of barriers to frontier working were noted at the time; many of these have since been corrected.
iii. The figures cannot account for casual labour (such as agriculture and certain construction jobs), temporary/seasonal work (such as tourism) and tradespeople who work both sides of the border; given the economic character of the area, these types of jobs could account for a large invisible portion.
iv. While the actual number of cross border commuters may be low in terms of the actual population, in terms of the amount of house buyers in a particular year it is quite significant. A cross border commuting population of a few percent could represent a substantial portion of house buyers in a particular year.

Another remarkable feature is that, particularly in comparison to the Irish situation, the capital city is not dramatically more expensive than its hinterlands; in fact it appears that Belfast district prices are the median for the region. Thirdly, it is striking to note the especially dramatic growth of house prices in the districts of Armagh, Newry & Mourne and Down, which neighbour County Louth in the Republic which have shot ahead of neighbouring districts in price, going from among the cheapest areas to among the highest. Is there proximity to the Republic a factor in this?

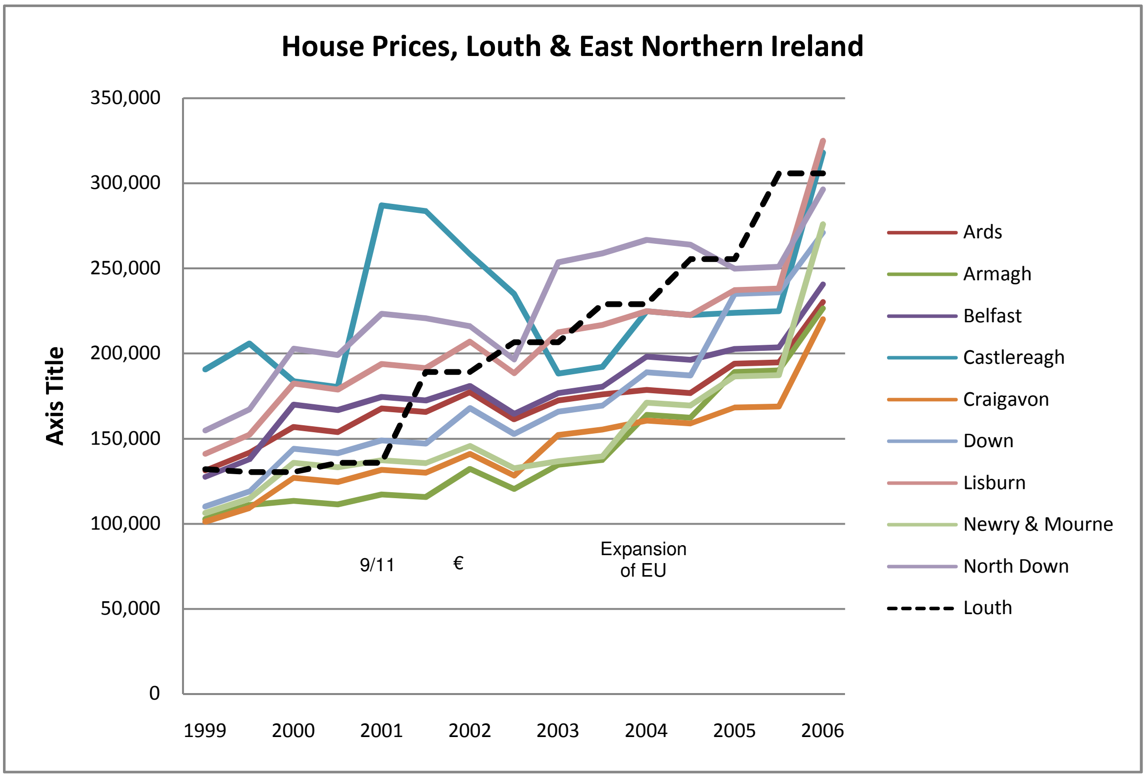


Figure 22: House Prices, Louth & East Northern Ireland 1999-2006

In 1999, house prices in Louth were consistent with average prices on the other side of the border, roughly the same as Belfast, higher than Armagh but lower than North Down and Castlereagh. However, prices roses ahead of Belfast and Ards in 2002, ahead of North Down in 2005 and currently sit below Lisburn and Castlereagh, having overtaken both areas in the recent past. A number of factors may contribute to this:

- The property tax regimes in both jurisdictions, where rates in Northern Ireland are more effective at maintaining affordability;
- The introduction of the Euro and the favourable interest rates that the housing market in the Republic has been subject to has inflated Louth prices;
- The expansion of the Dublin commuter belt to Louth becoming more pronounced from 2002 onwards;
- Restrictive planning laws in Louth giving "local only" preferences for certain construction arrangements, limiting supply and distorting price. Similarly, restrictions on one-off housing in the North contribute to optimal land use (from a community perspective) and maintain affordability.

The last two points, in particular, are borne out by the relative performance of Cavan and Monaghan to the Northern Counties. Cavan has had the same taxation and currency conditions as Louth, but has less connectivity to Dublin and no "local only" planning arrangements. Cavan prices were at parity with Belfast in 1999, dropping until 2002 (when the

Euro was introduced) and rising steadily, but less steeply. Monaghan's overtaking of Cavan on the price stakes may be related to a higher incidence of one off housing in that county, as well as giving planning privileges to locals.

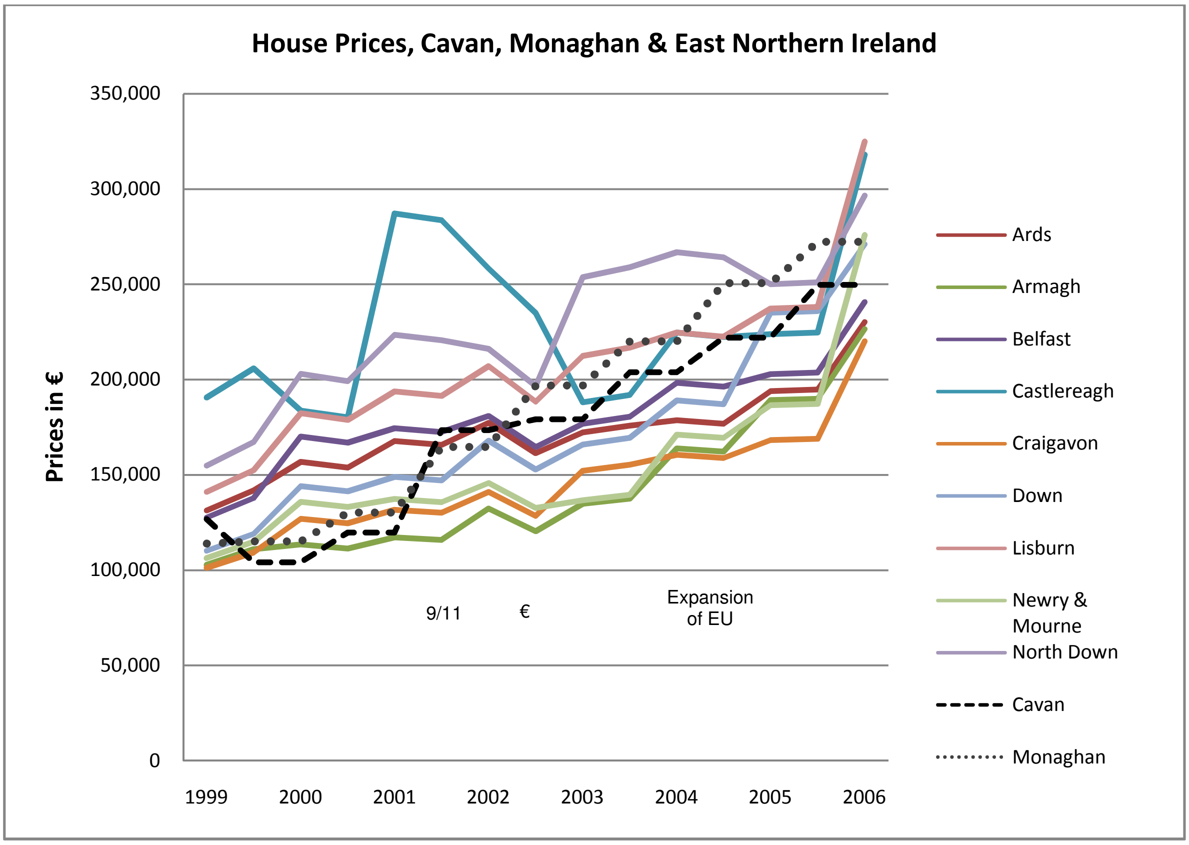


Figure 23: House Prices, Cavan, Monaghan & East Northern Ireland 1999 - 2006

Residents of Monaghan and Cavan have access to commuting opportunities in Dublin, Louth and the east coast of Northern Ireland, as well as local employment opportunities- the commuting statistics discussed earlier show above average proportions for very short and very long journeys in these counties, and below average for daily journeys between 30 and 90 minutes.

However, Cavan and Monaghan are also within driving distance of central Northern Ireland, the chart below shows how property prices compare to their neighbouring districts. The extent to which Cavan and Monaghan have overtaken their northern neighbours is dramatic, with only Cookstown catching up in 2006.

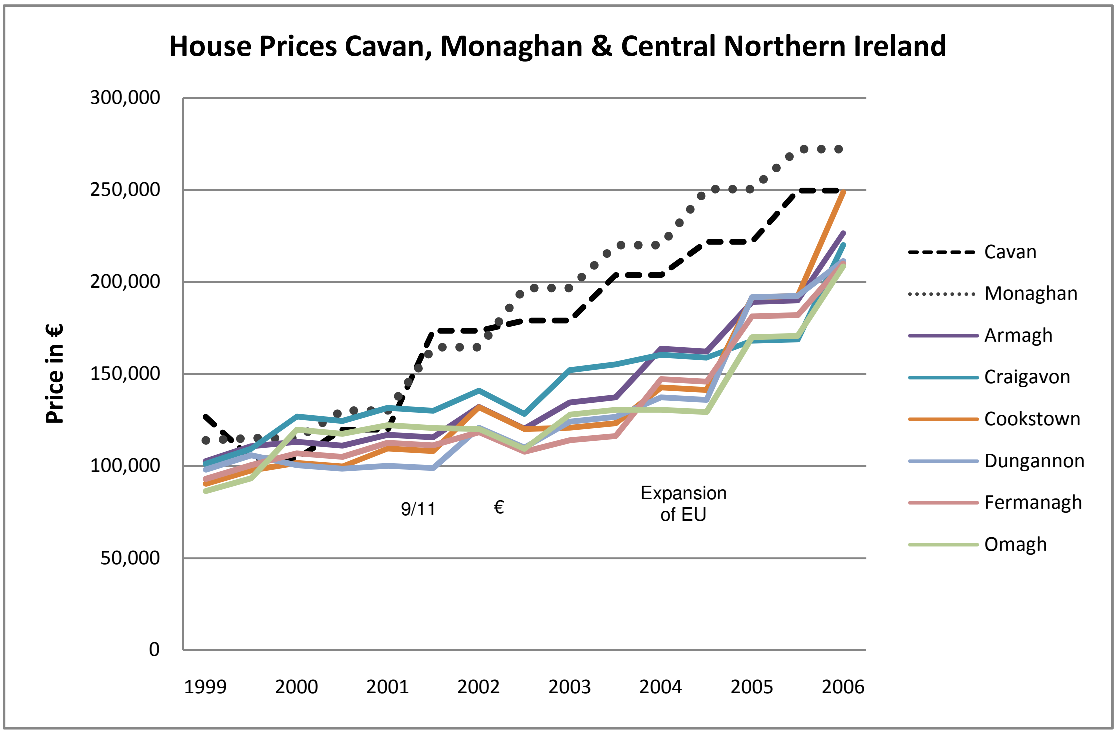


Figure 24: House Prices Cavan, Monaghan & Central Northern Ireland 1999 - 2006

Later in this dissertation I wills discuss how a significant amount of house purchasing activity in the North has been driving by public tenants availing of the right to buy (RTB) their NIHE accommodation; it is reasonable to assume that there would be less RTB activity in the rural areas such as Fermanagh and Tyrone, accounting for the lower prices.

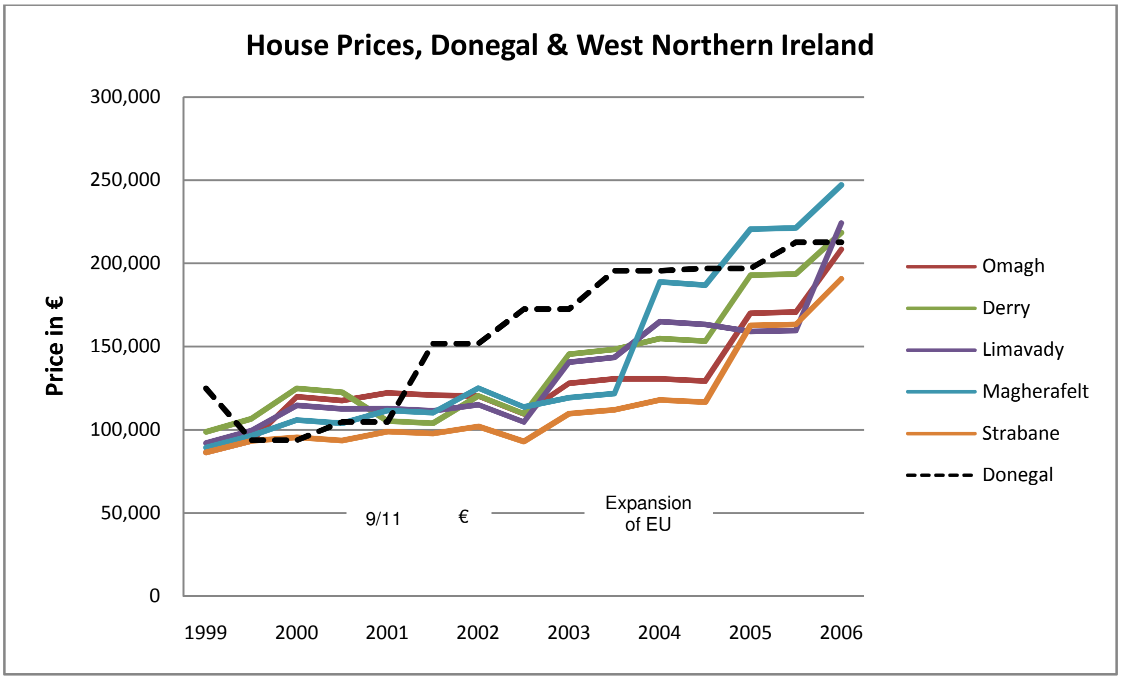
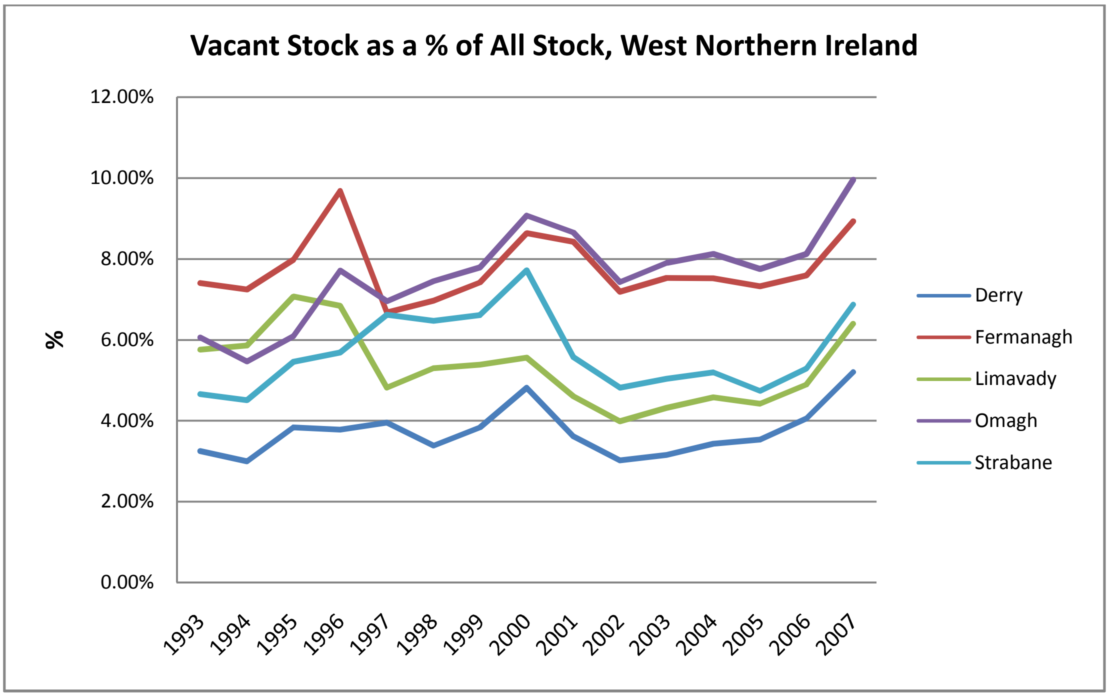


Figure 25: House Prices, Donegal & West Northern Ireland 1999 - 2006

Donegal and Derry represents the busiest cross border commuting channel in Ireland, and the house prices in the area tell an interesting story. Initially, Donegal house prices were higher than in the North, and then fell in 2000 as prices began to rise in the greater Derry area. After the introduction of the Euro, Donegal prices rose significantly above neighbouring Northern averages, with Magherafelt (Derry's commuter neighbour to the East) forging ahead in 2005 and Limavady and Derry rising above again in 2006.

The 2001 census did not note significant commuting from Omagh or Magherafelt to Derry; while this may have changed in the past seven years, we still have to ask; if prices are low in Tyrone and in Donegal, why do Derry commuters choose Donegal? It seems alarming that a situation could occur where people would work in a jurisdiction with a less favourable business environment- presently, corporation tax in the Republic of Ireland is 12.5%, whereas in the North it is 30%- and live in one with less services; this is particularly the case if the residential area has dearer house prices than the central business district. The following graph presents the amount of vacant properties in West Northern Ireland identified by the Rates Collection Agency. The districts adjacent to Derry have a high proportion of vacant properties, even as the city is evidently provoking commuter activity. Could it be that, even when Northern Irish properties are empty and selling for less than those across the border, that the Republic is still more attractive?

Figure 26: Vacant Stock as a % of All Stock, West Northern Ireland



Taxation may be a factor in making the Republic more attractive. Consider the impact of the Northern rates & stamp duty "cocktail" in comparison to the Republic's "neat" stamp duty regime. A house-hunter in the greater Derry area would find little price difference between

Derry and Donegal in the first instance in 2006, and over the lifetime of the mortgage, the tax savings based on avoiding rates are considerable, even allowing for a “time value” on money. Donegal is even more favourable if a purchaser is exempt from Irish stamp duty. Furthermore, it can very reasonably be expected that rates will rise as property values rise, while the agreed amount of stamp duty has been paid.

Commuting in general (and cross-border commuting in particular) is not a general movement; it is more prevalent among a certain demographic. Average prices are statistically useful but other statistics (floor space, planning permission) indicate that Donegal can accommodate the aspirations of affluent Derry workers who want a big house and a nice city job. So although average prices in Donegal may rise above Derry, access to permissive planning for a large, custom-built, one-off house in the beautiful Donegal countryside will represent good value for many. In general, Northern cities are very low density, as can be seen from the doughnut patterns of land rents in Northern urban layouts. The common thread between Belfast and Derry is the increase in land rents outside the city centre; Donegal appears to be becoming the Malmö to Derry’s Copenhagen.

Derry’s agglomeration of firms and infrastructure (including an airport and a university) make up for its unfavourable taxation arrangements in maintaining its position as the main urban centre in the North West; time will tell if Derry firms take a leaf out of their employees’ book and relocate across the border, although the wide range of grants and funding available to encourage business to generate employment in Northern Ireland will prevent this for some time.

Even where Donegal does not have significant cost advantages, perhaps other local arrangements give it a competitive advantage for the home seeker. In the next chapter I will discuss welfare interventions by the state such as mortgage relief, and consider residualisation and how this applies in border situations. In the following chapter I will consider planning arrangements and examine how these two jurisdictions have different arrangements in place for providing bespoke housing.

Chapter 6: Housing & Welfare Policy

The discussion of housing must extend beyond a consideration of the market and also address the role of housing in the matters of public welfare and social policy. The agglomeration effects and natural spread of urban areas have consequences for those whose economic choices are limited by their economic means, and sadly, agglomeration patterns can also be witnessed in poverty, homelessness, unemployment and anti-social behaviour.

6.1 The Mandate for State Intervention in Welfare Policy

Globally, much government intervention in the problems of poverty has been criticised for creating poverty traps- situations where a system of benefits, however meagre, compare favourably to the only employment options available to the recipient. A libertarian might suggest that if the enormous sums of money spent by a government on welfare policies had never been removed from the public through tax, may have stimulated the market through spending and investment to a point where the employment generated and competition introduced may have as good an effect as the various welfare policies.

Clearly there are problems with the libertarian view. In addition to the moral objections a person may have, the crime and public health problems that would arise from a state not addressing certain inevitable inefficiencies in housing markets would have a considerable economic cost; Cisneros et al remark that the legal and medical costs associated with not providing accommodation for a homeless man in New York exceed the costs of providing him with housing (Cisneros, et al. 2007). Secondly, capital is mobile and the increased spending prompted by lower taxation may take place in other jurisdictions with no local benefits; this is particularly true in border areas. Nonetheless, the salutary point stands that a particular social policy must be preferable to doing nothing in that particular area.

The financing of progressive measures through taxation is necessary to the objectives of political parties and is consistent with most citizens' expectations of the state's role in their lives. However, to what extent should the state involve itself in housing? Bill Spink (Spink 2005) outlines the following four models explaining the state's mandate for government intervention in housing.

6.1.1 Rational Planning

Spink describes the rational planning model as "a rational response by a relatively neutral state to problems perceived by the electorate, social reformers or experts in government" (Spink 2005). This straightforward model has three stages, where the problem is first identified, secondly a solution is concocted and thirdly, the solution is implemented as a public policy. In this sense, the rational planning model is pragmatic and addresses perceived society as a whole, rather than idealistic and addressing a particular group. Spink notes that "housing policy may form part of a much larger approach to both social and economic policy and may not even be implemented specifically for housing purposes" (Spink 2005). For example, a programme of social housing could be part of a policy to stimulate the construction industry of to generate Keynesian economic spin-offs, rather than to directly address poverty. Thus the state's mandate for intervention is as a pragmatic solver of linked problems.

Inevitably, this process is linked to people's abilities to diagnose and articulate the causes of their own problems, their capacity to present this case to government, the government's ability to produce an acceptable policy solution and the state's capacity to implement the policy. Such a system is fraught with inefficiency and vulnerabilities, and clearly some groups are far better at having their voices heard than others. Many people may agree that homelessness is a problem, but opinions will differ aggressively on whether the problem is the lack of accommodation available, or the visible presence of homeless persons. The role of interest groups can be substantial in setting the terms of debate for the public discussion on a particular socio-economic problem. Much housing policy issues can pit groups against each other- for example, the interests of home-owners, demanding that the value of their property to be protected, often run contrary to the interest of home-seekers, hoping for interventions to reduce prices – and the role of lobbies and interest groups can be decisive in the policy decision taken.

6.1.2 Ideological Model

In reality, political parties come into government with a stated agenda on issues such as housing and attempt in some way not only to fix problems, but to produce outcomes based on the aspirations of their political ideology. Left wing parties may see social housing as a right, income redistribution as an objective and be prepared to consider demographic factors such as racial and class integration in their allocations policies, while conservative parties may wish to promote home ownership, defend the free market and protect the interests of employers in construction and investors in property.

The ideological model is complicated in Ireland, even before the recent dominance of coalition governments in the Republic. The popularity of the civil war parties has meant that the electorate has not been presented with the traditional left-right choice that was the norm in most European countries. The dominance of the Troubles in Northern Irish politics has deprioritised "pork barrel" politics, although this is likely to change in the event of sustained normality. The history of direct rule and the restrictions placed on local government have meant that Northern political parties have not had the opportunity to have their economic visions promulgated and tailored to the realities of the Northern economy.

6.1.3 Economic Model

The economic model proposes that a government is charged with steering the economy of the state, and that housing- its construction, sale, ownership and provision- are pivotal to the economy in general. In particular, credit markets are dominated by mortgages for homes, so currency policy needs to be sensitive to the repayments demanded of citizens. In particular, inflation can alter tenure preferences between ownership and renting, and repossessions on account of interest rates rising too high can increase the amount of people needing social housing. Governments need to be conscious of the economic role of housing, regardless of ideology.

6.1.4 The Rational Voter

The concept of the rational voter expressing their personal policy preferences at the ballot box needs to be differentiated from the "rational planning" model and the "ideological" model in that with "the rational voter", the decision is being made based on self interest rather than on creating a positive outcome for society as a while. People like low taxes, but people also like state provision of services, so political parties endeavour to strike a balance. Perhaps inevitably, this has resulted in a lack of voter choice as parties scramble for the centre ground, and the initial dilemma of identifying issues of particular need and their correct solution is still present. "The underlying goals of holistic housing policies remain the same- a decent home for all at an affordable price, good housing stock and a reduction in inequality. This explains why most political parties have similar housing policies" (Kenna 2006).

6.2 Other State Welfare Interventions in Border Areas

So the state has a constant economic and planning mandate for intervention in the housing market, as well as having to respond to the ideological and rational preferences of voters as expressed through their choice of government. However, a concern arising from cross border commuting is that in breaking the citizen's taxation relationship with the state, the state's mandate for social intervention may become compromised.

Regarding other state services to residents in border areas, there is some scope for cooperation on the delivery of some activities, particularly where the nearest facility is actually across the border. In September 2007, the High Court in Belfast ruled in favour of Donegal parents whose children were attending a school in Derry, setting a legal precedent for use of other Northern services by residents of the Republic (Derry Journal 2007). "Grannying", the process where citizens of the Republic apply for services in the North using a Northern relative's address, by definition cannot be quantified. Besides, there is no reason to suggest that citizens of the Republic are any more abusive of the system than residents of other parts of the North who wish to send their children to a school in another catchment area which they perceive to be better. Channels for sharing information between the two jurisdictions may help tackle this problem, as well as other frontier benefit fraud such as stamp duty evasion, although there appears to be no warrant for the special allocation of resources to tackle this separate to "domestic" benefit fraud.

The fact stands that "grannying" arrangements, even if they are reciprocated, do not represent the best use of combined resources to fix combined problems, as access to services is based on opportunity rather than equality. New legislation or a change in the political situation could result in a sudden, unplanned demand on the resident state's services. A negotiated approach to cooperation on services would be damage limitation at the very least, and would positively contribute to the quality of life in the cross border region.

As previously mentioned, tenure patterns in the Republic and the North are different, with social housing far more prevalent in the North than in the Republic, where it has been a residual service. Nonetheless, social housing has become residualised in the North on account of the take-up of the Right to Buy.

6.3 Social Housing Policy in Northern Ireland

Provision of social housing has traditionally been high in Northern Ireland, with social housing being the largest type of tenure even before the establishment of the Housing Executive, which increased output stoutly. Nonetheless, preferences for private accommodation were already apparent before the eager take up of the "Right to Buy" initiative, brought in by the Conservatives in 1979. From the outset, tenants of council accommodation were keen to become the outright owners, with applicants massively exceeding capacity; in the tax year 1980/81, 26,392 tenants applied to purchase their homes. Dips in sales were noted in the mid 80's and early 90's, no doubt on account of the recessions of those times.

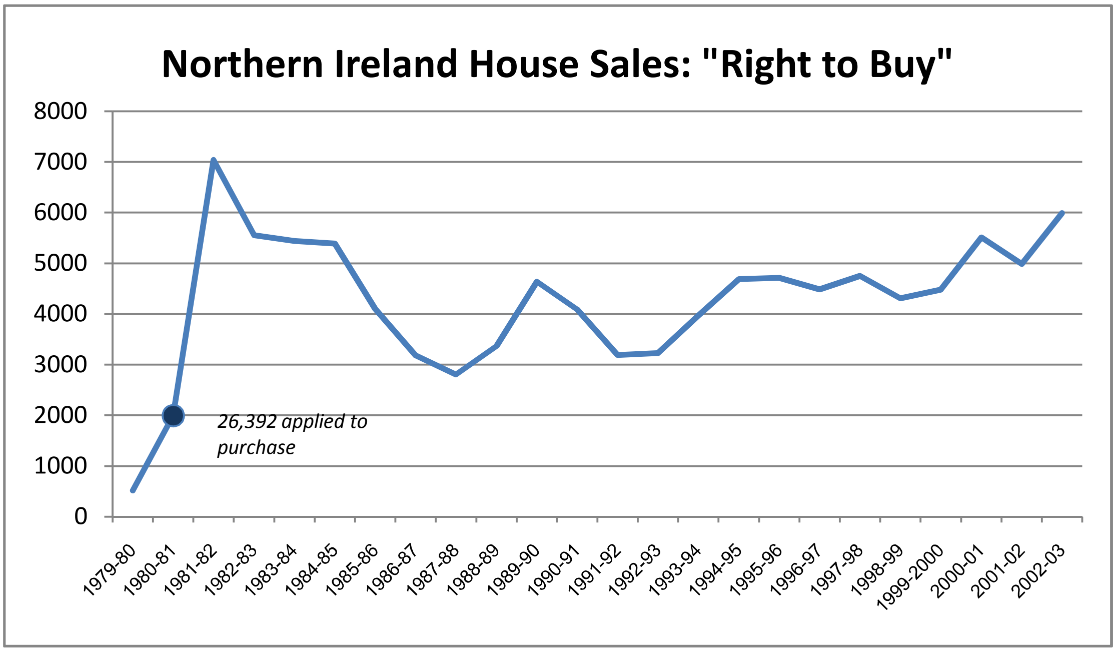


Figure 27: Northern Ireland House Sales through "Right to Buy" 1979-2003

While RTB sales were significant- in the period 1979-2003 the Housing Executive sold over 100,000 dwellings, roughly half of its stock- the houses sold were not significantly replaced with new social housing stock, as the next graph shows. Logically enough, right to buy applications were (and still are) most popular in attractive neighbourhoods; this is not unique to Northern Ireland. “The majority of purchasers have bought the better houses in the most popular areas… initially, councils were allowed, even encouraged, to re-invest the capital receipts that they accumulated from the sale of dwellings, but the rules were tightened during the 1980s. This resulted in almost no new building to replace the lost stock but, in some areas, these funds were applied to the rehabilitation of the remaining stock” (Spink 2005).

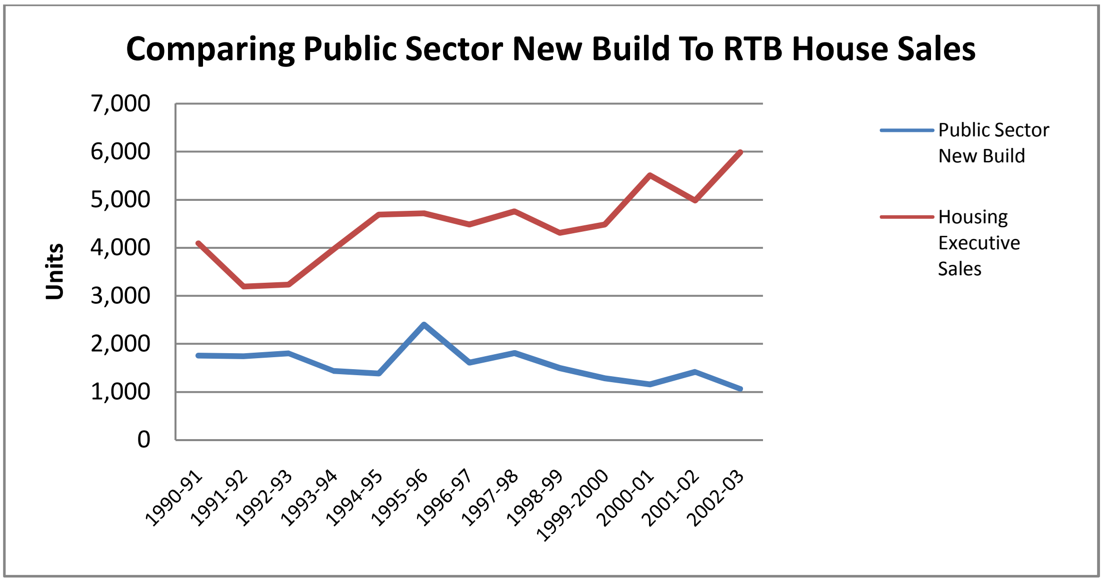


Figure 28: Comparing Public Sector New Build To RTB House Sales

In addition to the sale of social housing stock in Northern Ireland that was not replaced, growth in the private market for housing has also been strong, not only from right to buy but also from new construction. The chart below shows how new build in the private sector overtook new NIHE construction in 1981, which is almost the same time as the RTB market took off. An 8 year slump in private housing production between 1989 and 1997 is noted from the graph; there was no corresponding increase in social housing at this time. The shortfall in private stock during this period may have meant less supply relative to demand after the Good Friday Agreement, contributing to the house price increases attributed to the Peace Dividend.

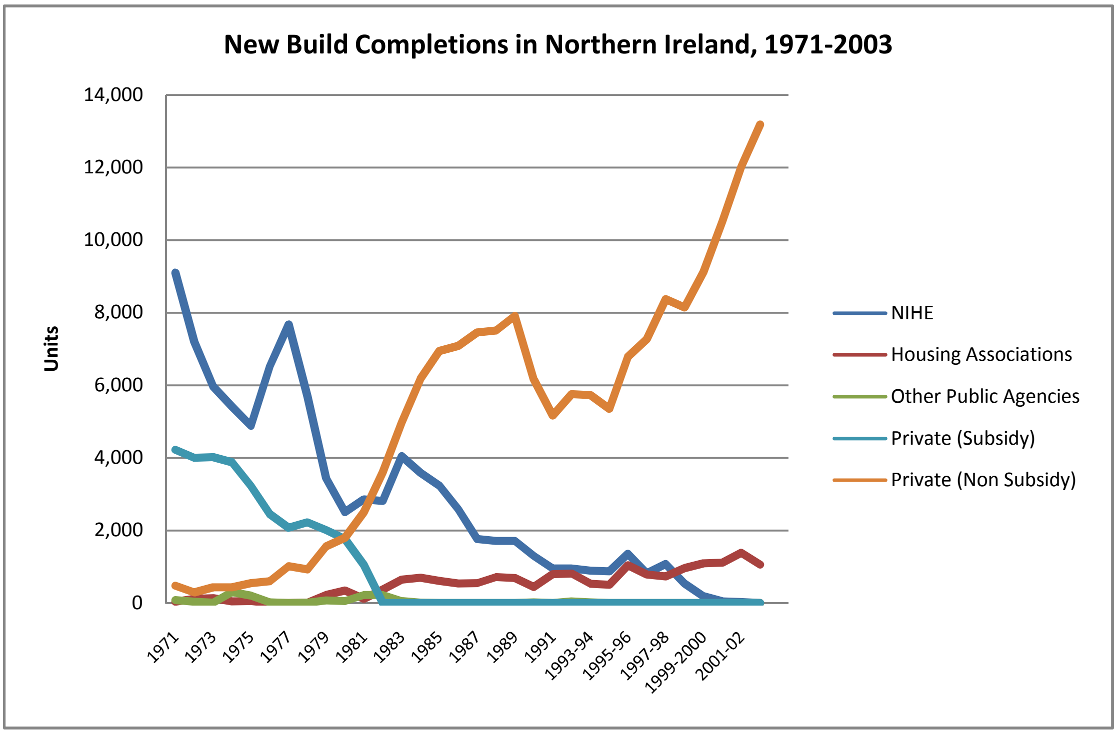


Figure 29: New Build Completions in Northern Ireland, 1971-2003

The chart also shows us that Housing Association new build completions overtook the NIHE in the 99/00 tax year; this reflects the change in the character of the NIHE to becoming primarily strategic in nature, as opposed to its previous service delivery role. The NIHE is one of three partners delivering the new social housing programme:

1. The requirement for new social housing is gauged by the NIHE based on its strategic model and local waiting list information. A draft programme is then prepared for approval by the Department for Social Development (DSD).
2. The DSD, which is responsible for ongoing programme management, approves and issues the final programme (including any agreed modifications) and allocates schemes to individual housing associations.
3. The housing associations are in charge of building and managing the new dwellings.

It cannot be ignored, however, that the Housing Association output is quite low, especially given that this now represents the North's civic response to social housing need. The graduation of Northern Irish housing from public to private would be wonderful if it was on account of a falling demand for social housing. Sadly this is not the case. In fact, not only did the social housing waiting list steadily increase from 1993, but the proportion of urgent need cases increased from 44.5% to 49.6% in this time. Similarly, persons presenting as homeless almost doubled in the period 1993-2003, from 9,731 to 16,426. The problematic transfer of service delivery from the NIHE to the Housing Associations was noted in evidence presented to the House of Commons Committee on Northern Ireland Affairs in October 2004.

"One major issue that has raised its head is that the [Housing Association] movement is failing miserably to deliver. There has been major concern expressed both within and outside of government about the serious shortfall in housing association starts against targets. Recent figures suggest that only 600 out of a target of 1,400 have been started as we come to the end of the financial year 2002-03... only approximately 55% of the required total of physical new build starts has been recorded in the last two years, a combined total of 1,075. Indeed, new starts by housing associations have been decreasing year on year from 1998-99 when the total was 1,862 to 772 for the year 2001-02" (Paris and Gray 2004).

The fall in public housing stocks and low output of the housing associations has meant that the private rented sector has taken a role in sheltering the needy: for a price, naturally. This is facilitated by the availability of Housing Benefit, which allows tenants to pay rents they might not otherwise be able to afford. The demand for Housing Benefit in Northern Ireland seems to have risen proportionately with the drop in housing stock, almost doubling from 21,800 in 1990 to 39,400 in 2001 (Gray and McAnulty 2007); if one service is being replaced by the other, it is fair to compare their merits and test the wisdom of the decision. The main advantages of Housing Benefit relative to social housing are prompt results (for both tenant and state) and flexibility to accommodate the address preferences and changing circumstances of the tenant.

On the downside, the speedy service comes at the expense of the tenant screening process. This concern is especially true if prospective tenants who fail to qualify for social housing after vetting are left with Housing Benefit as their only alternative to homelessness; policymakers are faced with the decision of giving preferential treatment to "bad tenants" or turning them loose to the private rented sector. When viewed in connection with right to buy arrangements, the transfer of the same neighbourhood from social housing with long-term tenants to private rented housing with short term tenants would suggest that in some areas, it is the vetting standards that are the ultimate difference.

The state of play with social housing in Northern Ireland is a change of ownership from the state to affluent tenants and housing associations, with state housing in transition from a typical to a specialist tenure. But as social housing becomes residualised and former social housing enters the rental market, is it possible that cross border commuting could lead to whole towns being residualised?

6.4 Housing & Welfare Policy in the Republic of Ireland

Housing as an element of social policy in Ireland is marked by the range of products on offer to the public to tackle the range of needs in the country, ranging from relief on mortgage payments to the supply of housing to the homeless and those who cannot afford accommodation suitable to their needs. Broadly, state interventions in housing fall under the categories of supply, support and strategy.

On the supply side, the Republic of Ireland has schemes facilitating the supply of social, affordable and voluntary housing, which are implemented by the various local authorities. Local Authority Housing, which is the traditional provision of accommodation to people who cannot afford to provide for themselves, is assigned based on need, and points are allocated to candidates based on their individual circumstances. While Northern Ireland has been reducing its social housing output, the Republic has been increasing its housing provision.

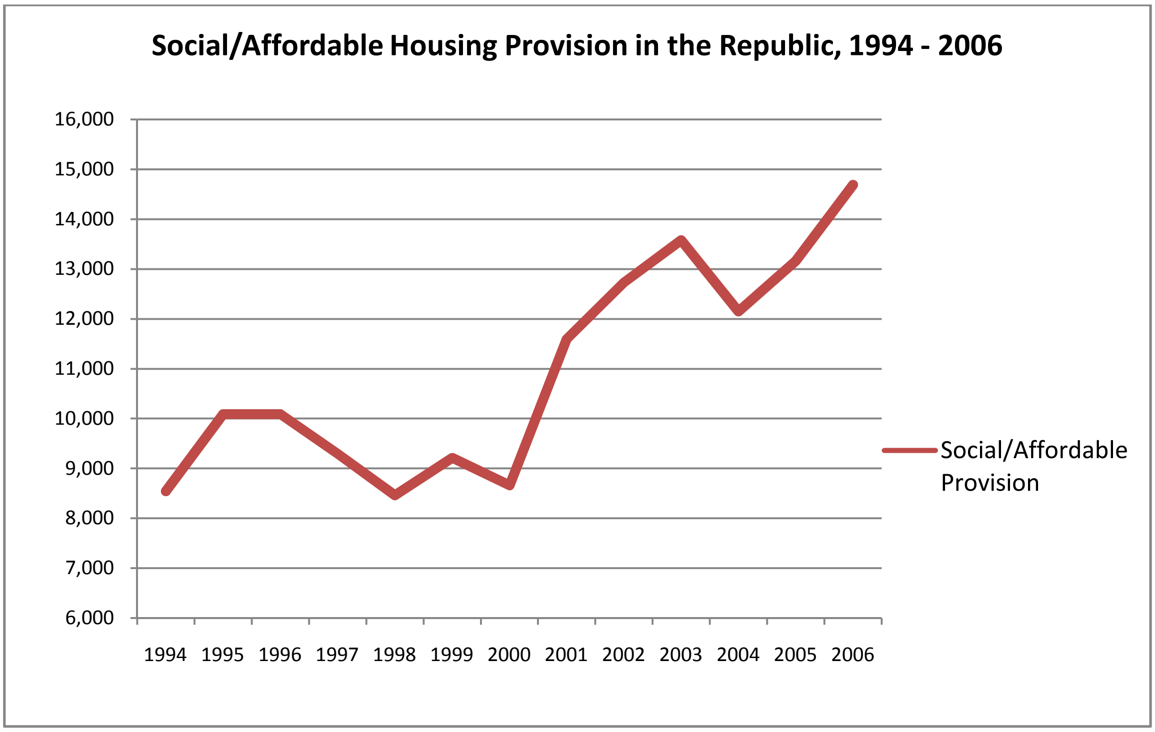


Figure 30: Social/Affordable Housing Provision in the Republic, 1994 - 2006

While such a system guarantees a certain level of consistency, the red tape involved in processing so many applications in a uniform manner can compromise expediency and flexibility. This is a significant concern in terms of responses to homelessness and the housing needs of the working poor, whose salary level may exclude them from social housing while not being sufficient to buy a home. Therefore, social housing is delivered in harmony with a number of other welfare products.

The Affordable Housing Scheme is targeted at housing applicants who earn a steady income and have a good credit history, but are not able to afford suitable accommodation on the market. The Affordable Housing Scheme allows candidates to buy houses at a significant discount through their local authority; a 20% portion of new developments are set aside for this scheme under Part V of the Planning Act, which allows suitable applicants to be housed while also being integrated in the wider community, minimising residualisation and breaking the mind-share between government assisted housing and "bad" neighbourhoods. People who choose to sell their property shortly after buying it at a discount are obliged to return a claw-back to their local authority to prevent misuse of the system.

As many social housing initiatives are criticised for discriminating against the "employed poor", the objectives of Affordable Housing are well received. However, the implementation of the scheme has faced difficulties. Developers who fear that the presence of social housing in their new estate or apartment block would damage the sale value of units have leeway to make a financial or land contribution towards social housing elsewhere in lieu of 20% of the actual new units. As one of the objectives of Part V of the Planning Act was to integrate social and affordable housing with private sector housing and prevent the creation of ghettoes, the "in lieu" contribution is seen as contrary to this. Furthermore, Affordable Housing candidates are unable to refinance their mortgages and take advantage of competition in the financial sector to lower their repayments.

In the border area, there has been far more activity in Social Housing than in Affordable Housing; this reflects both the nature of applicants and the amount of property submitted under Part V of the Planning Act. The chart below outlines the provision of local authority housing in the border area from 1994 to 2005; note that in this period, 258 houses were provided in the entire area under the Affordable Housing Scheme.

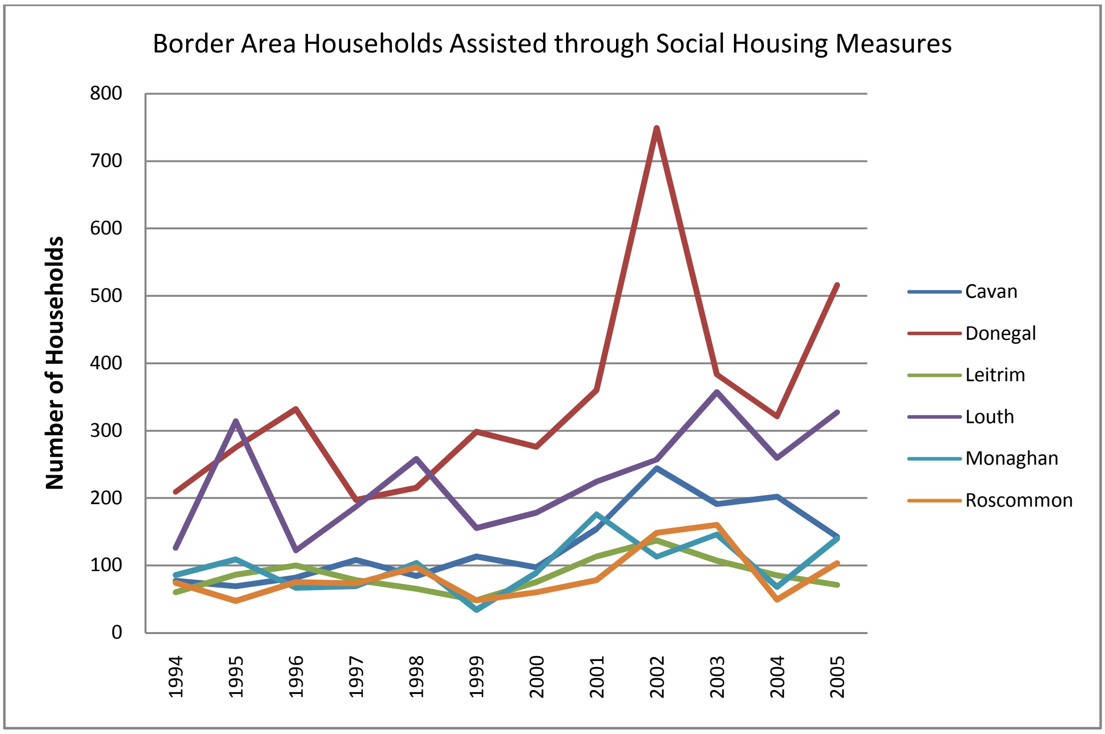


Figure 31: Border Area Households Assisted through Social Housing Measures 1994-2005

Voluntary Housing Associations are independent organisations, often with particular expertise in a certain area of social need, who provide specific housing responses in partnership with local authorities, with the assistance of state funding. Voluntary Housing Associations benefit from organisational flexibility relative to local authorities and the fact that their catchment is need based rather than geographically based. Under the Capital Assistance Scheme, voluntary bodies provide accommodation to meet specialised needs such as those of the elderly, people with a disability, homeless and returning emigrants. Under the Capital Loan and Subsidy Scheme, voluntary bodies provide housing for renting, particularly to meet the needs of low-income families.

"Generally, voluntary housing associations are formed to relieve a local housing need... A marked feature of the voluntary housing sector is that many associations offer non-housing and related services such as group meals, social activities and welfare advice. The small and local nature of most voluntary housing associations means that they are in a position to respond quickly to the service needs of their tenants as they arise. The voluntary housing movement has been to the fore in promoting and proactively using housing management systems that best respond to the needs of tenants and provide a decent housing service" (Irish Council for Social Housing 2008).

On the support side, the state provides financial assistance to certain people to avail of private sector solutions to their housing needs. Homebuyers can claim tax relief at source for mortgage interest on their principal private residence; relief is payable on the interest charged/paid on a mortgage and the actual relief receive is dependant on the appropriate ceiling allowable (currently a ceiling of €10,000 interest applies to single first time buyers and €3,000 for other single homeowners; the interest ceiling is double for their married and widowed counterparts).

Table 19: Mortgage Relief in Republic of Ireland

	First Time Buyers Maximum TRS Relief (per annum)		**All Others Maximum TRS Relief (per annum)**
	01/01/2007 to 31/12/2007	**From 01/01/2008**	**From 01/01/2007**
Single Person	€1,600	€2,000	€600
Married/Widowed	€3,200	€4,000	€1,200

Note that tax relief on mortgages is not available in Northern Ireland and as a policy has been widely criticised, particularly in the UK. "Mortgage interest relief… is inefficient since the tax foregone by the Exchequer could finance productive industry rather than lubricate the market largely for second-hand houses; it has adverse effects on taxation because the foregone revenue has to be made up by higher rates of taxation generally…it distorts tenure preferences in favour of owner occupation… it distorts rural values since commuters can easily outbid local labour… and it fails to protect the poor because the system of relief pulls up house prices beyond their means." (Balchin, Bull and Kieve 1995)

The effect of mortgage interest relief differences in border areas has been noted in the case of Belgium and the Netherlands, as outlined by Ad Knotter. "The Dutch fiscal system allows mortgage interests to be deducted from the income tax of house owners… this has an enormous upward effect on housing prices in the Netherlands. By a recent change of law, Dutch tax payers earning an income in the Netherlands, but owning a house across the border, are now allowed to deduct their mortgage interests too. As housing prices in Belgium are much lower than those in the Netherlands – partly as a result of the difference in the tax system – many Dutch families bought a house across the Belgian border to double profit from both the low Belgian housing prices and the Dutch fiscal system" (Knotter 2003).

Persons renting private accommodation are also eligible to claim a portion of their rent back from their income tax. As with mortgage relief, this is paid at the standard (20%) rate of tax. Unlike mortgage relief, however, tax relief on rent takes account of an applicant's age, doubling the amount that can be claimed for if the claimant is over 55, acknowledging the vulnerability of older tenants and allowing the private rented sector to contribute to the welfare objectives of the state.

Table 20: Rent Relief in Republic of Ireland

Rent Relief	Under 55	Over 55
Single Person	€1,800	€3,600
Married/Widowed	€3,600	€7,200

Local Authorities who have difficulty housing all of their housing applicants can avail of the Rental Accommodation Scheme, where private landlords are paid to lodge social housing candidates. This scheme, a collaborative project between the Department (DEHLG), local authorities, the Department of Social and Family Affairs and the community welfare service was announced in July 2004 to transfer responsibility for housing SWA Rent Supplement recipients, identified as having a long term housing need, to town, city and county councils. The objective is to streamline service delivery and to centralise decision making on housing rather than have a number of agents all attending to different aspects of housing need, which can create confusion among an often vulnerable and uneducated customer base.

Streamlining has become a more pressing matter in housing in the Republic of Ireland, as there are a number of organisations with a say in housing matters and value can be lost in the lack of communication between these bodies. The Private Residential Tenancies Board (or the PRTB, who monitor the private housing market and handle disputes between tenants and landlords) and Revenue (who calculate tax relief on rents and who tax income from rent) do not have channels of communication where this critical information can be shared or compared. A person seeking accommodation and government assistance (including grants) may need to contact their local authority, the HSE, the Departments of Environment, Heritage and Local Government, Social & Family Affairs and Community, Rural and Gaeltacht Affairs before they get a full picture of what they are entitled to. Policy on housing is spread over a number of Departments, with the controversial matter of stamp duty falling under the Minister for Finance, the similarly divisive issue of management companies being a matter for the Minister for Justice and other housing matters being divided between the Minister for the Environment, Heritage and Local Government and a Minister of State at that Department.

6.5 Welfare & Cross Border Commuting

The Republic is increasing its social housing output and shaping housing interventions to minimise residualisation as the North's output is dropping and a critical mass of existing stock is being purchased by tenants. The following table demonstrates the changes in social housing stock in the two jurisdictions between 1991 and 2002 when data was last collected simultaneously. Figure 28 above shows that the Republic has expanded its social housing output even further since the data below was collected.

Table 21: Social Housing Stock, Border Counties and Districts, 1991-2002

		Change to Social Stock 1991 - 2002	
Republic	**Council Stock 1991**	**Actual**	**% 1991 Stock**
Cavan	784	+643	+82
Donegal	2290	+1650	+72
Leitrim	472	+332	+70
Louth	2746	+303	+11
Monaghan	795	+344	+43
Border Counties	7087	+3272	+46
ROI Total	98929	+13727	+14
Northern Ireland	**NIHE Stock 1991**	**Actual**	**% 1991 HE Stock**
Armagh	4013	-1124	-28
Derry	12365	-1533	-12
Dungannon	3574	-891	-25
Fermanagh	4096	-1068	-26
Newry & Mourne	7380	-2143	-29
Omagh	3476	-747	-21
Strabane	4090	-807	-20
Border Districts	38994	-8313	-21
NI Total	160674	-27480	-17

(Paris, Housing Markets and Cross Border Integration 2006)

However, it would be extremely problematic to assess if frontier worker situations in Ireland were putting a strain on social housing, and the value of such an exercise would be small. Even if the cross border commuting contributed to social housing demand, the border does not affect enforcement or the evaluation of individual cases. Certainly, being from the other jurisdiction would not exclude a needy person from social housing in the other if they meet the eligibility criteria. As for cross border commuting, if this is a response to economic deprivation in the border area, is a welfare policy intervention warranted or is the problem solving itself? Let us say that there are two types of cross border commuter. Firstly, there is the resident who chooses to retain his/her residence and commute into a neighbouring state to avail of job opportunities there: the “nested frontier worker”. Secondly, there is the worker who moves into a neighbouring state while retaining his/her job in their homes state: the “micro-emigrant”. Neither circumstances are driven by the level of desperate need that typically warrants state intervention; after all, the candidates in these examples are either homeowners or have the potential to buy a home, and have a skill or qualification to bring to the labour market of two different states.

In both situations the aspirations of the person for a home and a job are not satisfied by the labour and property markets of the initial jurisdiction, and the border presents opportunities that would not be available to a resident of a more central part of the state. It is reasonable to state that cross border commuting movements are typically borne of aspiration rather than desperation; the relative attractiveness of cross border commuting to emigration is based on home ownership and social connections for the “nested frontier worker”, and “micro-emigrants” are gainfully employed and migrating for access to ownership, rather than an urgent need for shelter. So it could be argued that these people are not in need of any state assistance, as cross border commuting is not a welfare problem. Nevertheless, the matter has implications for welfare policy.

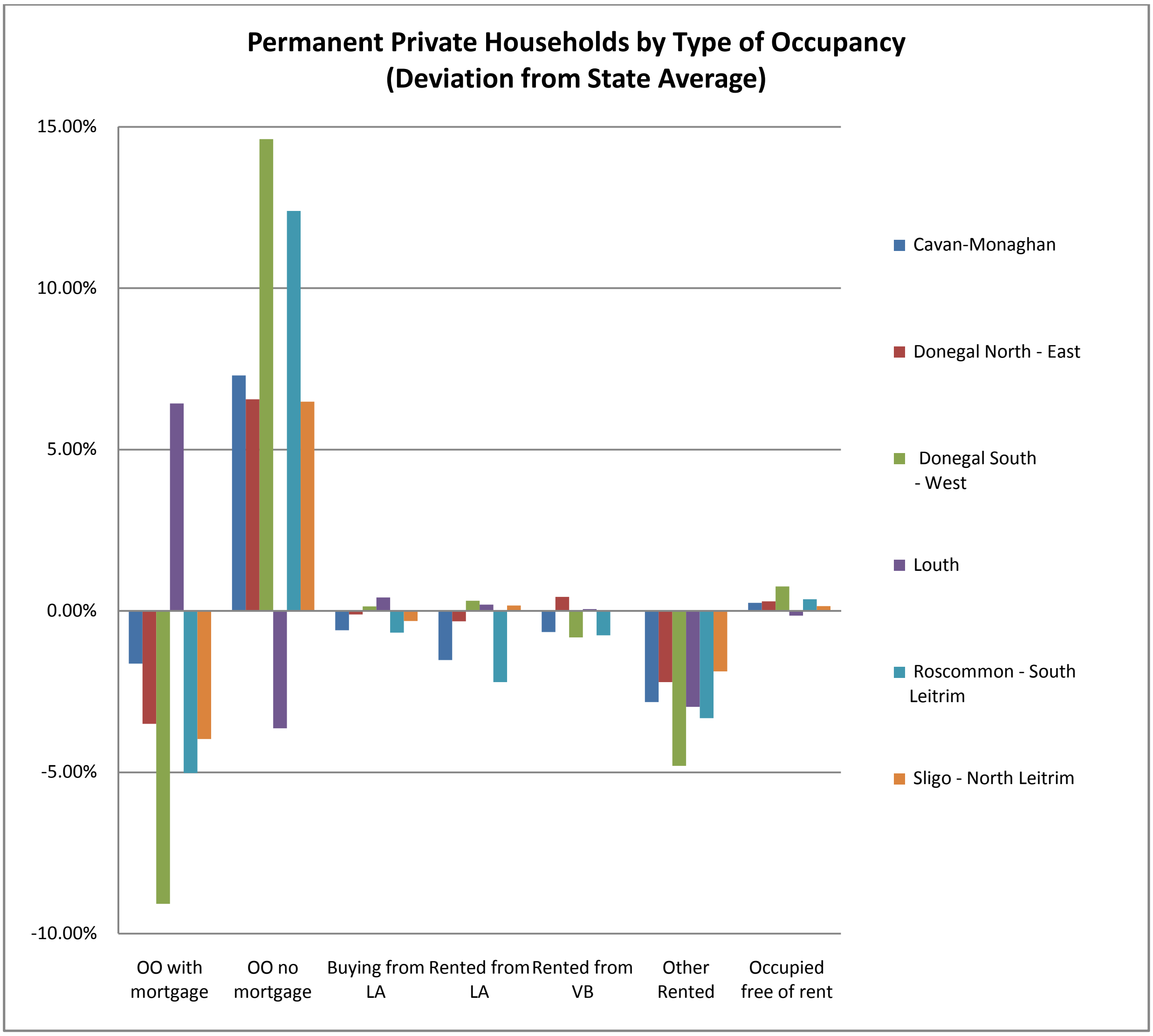
The exodus of an aspirational community from an urban centre (let alone from a state) has residualisation implications. The notion of "white flight" is a constant concern in urban sprawl as middle class communities cluster in attractive areas with good services at arms length from the city centre, where poorer communities are clustered in privately rented and in state accommodation, with less access to services and social opportunities. It is not a question of whether there is social exclusion in cities, but rather a question of to what extent is social exclusion prevalent.

Middle and high income earners choosing to purchase homes in a neighbouring state will change the tenure balance in an urban centre, where the amount of rented accommodation and social accommodation will be proportionately higher as prospective homeowners exclude themselves from the equation, with implications for neighbourhood conditions and social connections in an area. Tenure patterns in an area are indicative of the level of attachment a local population has to a neighbourhood, the market and state responses to accommodation needs, and gives a picture of the economic history of the locality. High proportions of households in private rented accommodation indicate new and sustained interest in the local labour market. The higher the proportion of households with mortgages, the "younger" the area; this can indicate both recent suburban spread as well as traditional first time buyer areas. There is higher outright ownership in continuously settled suburban areas and in rural areas; this can indicate both affluence, with capital appreciation over time, and acute poverty, where the prevalent means of property transaction is inheritance.

Table 22: Permanent Private Households by Type of Occupancy, 2006

Occupancy Type	OO with mortgage	OO no mortgage	Buying from LA	Rented from LA	Rented from VB	Other Rented	Occupied free of rent
Cavan-Monaghan	37.34%	41.39%	1.02%	5.69%	2.80%	7.12%	1.74%
Donegal North - East	35.48%	40.64%	1.50%	6.90%	3.89%	7.74%	1.78%
Donegal South - West	29.90%	48.71%	1.75%	7.53%	2.63%	5.13%	2.25%
Louth	45.40%	30.45%	2.03%	7.41%	3.51%	6.96%	1.34%
Roscommon - South Leitrim	33.96%	46.48%	0.94%	5.01%	2.70%	6.61%	1.84%
Sligo - North Leitrim	35.01%	40.57%	1.30%	7.38%	3.48%	8.07%	1.64%
State	38.98%	34.09%	1.61%	7.22%	3.45%	9.94%	1.48%

Figure 32: Permanent Private Households by Type of Occupancy, Deviation from State Average



OO= owner occupied, LA= Local Authority VB= Voluntary Body

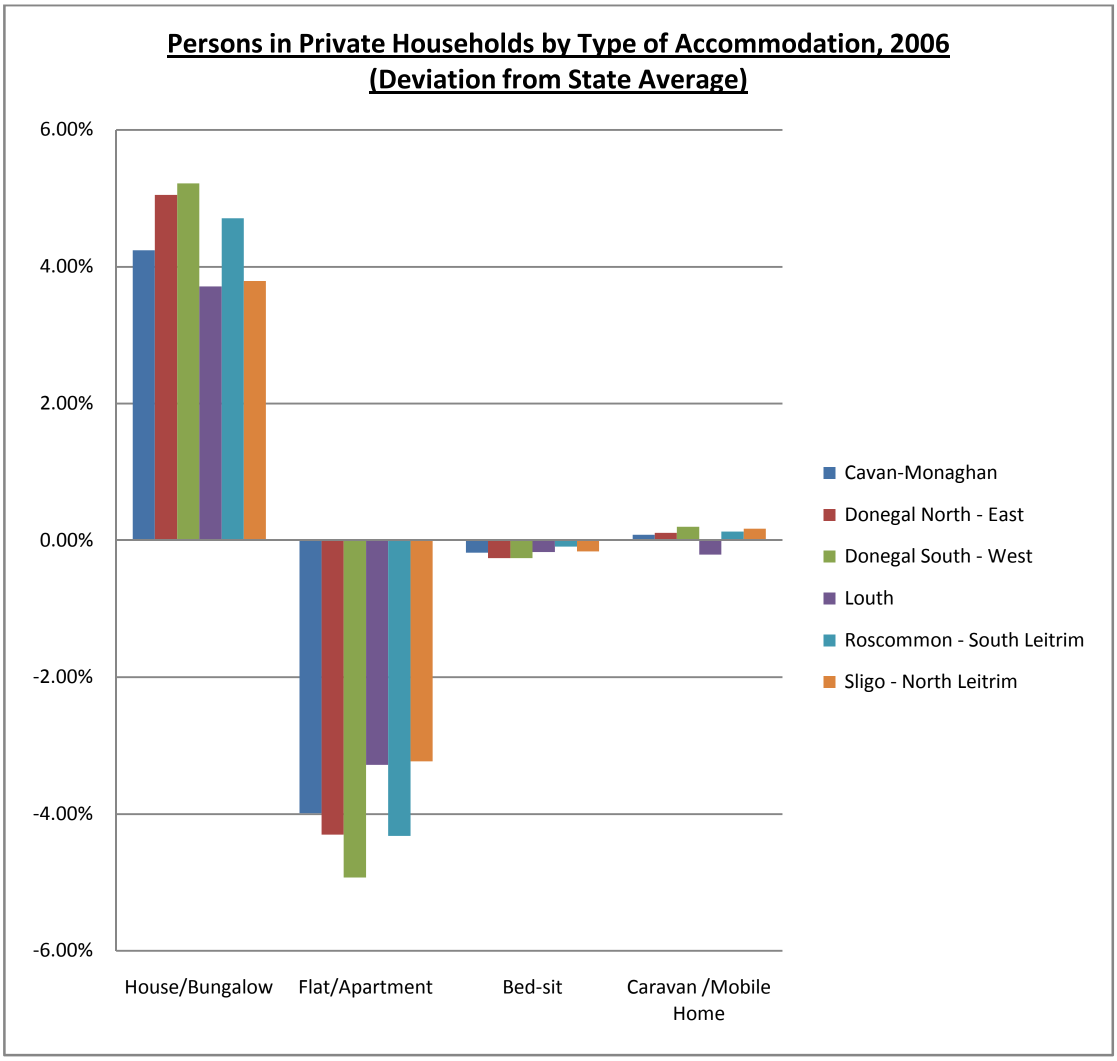
The border counties demonstrate particularly high outright ownership and consistently low take-up of private sector rental accommodation. As usual, Louth bucks the trend, being the only constituency with above average portion of owners-with mortgage (and the only one with a below average proportion of owners without mortgages). Particularly interesting are the differences within Donegal; the North East, with proximity to Derry, has noticeably more mortgages than the South West. Bear in mind when considering the high levels of ownership that the Border area, particularly Donegal and Louth, have very high levels of unemployment.

In spite of the levels of households assisted through social housing measures (see figure 29) noted earlier, the proportion of households living in local authority and voluntary accommodation is close to the state average. The significance of the type of accommodation is that the border areas have very little activity in flats and apartments, even in the constituencies containing (or next to) large towns. When this is viewed in conjunction with the age profiles and tenure patterns, it is evident that there is little evidence or influence of the young, the single and the acutely needy in the allocation of housing in the border counties on the southern side.

Table 23: Number of Persons in Private Households by Type of Accommodation, 2006

Accommodation	House/Bungalow	Flat/Apartment	Bed-sit	Caravan /Mobile Home
Cavan-Monaghan	94.70%	2.75%	0.17%	0.48%
Donegal North - East	95.50%	2.45%	0.09%	0.52%
Donegal South - West	95.67%	1.81%	0.09%	0.60%
Louth	94.16%	3.46%	0.18%	0.19%
Roscommon - South Leitrim	95.16%	2.43%	0.26%	0.54%
Sligo - North Leitrim	94.24%	3.51%	0.20%	0.58%
State	90.45%	6.74%	0.35%	0.40%

Figure 33: Persons in Private Households by Type of Accommodation, 2006 (Deviation from State Average)



The advantages of owning a house south of the border do not appear to be trickling down to tenants; Derry, right next door to Donegal has significant apartment development and rental accommodation (Derry Chamber of Commerce 2002).

The best way to facilitate people wishing to avail of frontier work opportunities without leading to gentrification of one side and residualisation of the other is to facilitate cross border residency alternatives to ownership- particularly rental accommodation. In particular, if the incentives for house-buyers to cross the border are not matched by incentives for the rental market, it is logical that one state will carry an imbalance and a cross border suburb will ensue.

Northern Ireland and the Republic both have voluntary housing association in operation to tackle specific types of housing need; some of these organisations work on both sides of the border. The facilitation of small voluntary bodies to attend to displacement and residualisation in border areas could be extremely useful; such cross border bodies could avail of direct funding from the EU as well as support from both governments. Regulation (EC) No 1082/2006 of the EU, pertaining to European Groupings of Territorial Cooperation, sets out provisions for such bodies to operate.

Both jurisdictions offer supports to tenants, either through tax relief on rent to direct payments to landlords, and cooperation in this area would allow housing demands of different demographic sectors to be met by existing stock of vacant premises. In particular, making rental accommodation more attractive could contribute positively to the nature of building activity in the border regions away from the unsustainable, low density bespoke developments which have been noted. I will consider these in light of housing and environmental and planning policy in the next chapter.

Chapter 7: Housing: Planning & Environmental Policy

Ireland, North and South, is marked by the uneven spread of population, particularly the demographic concentration in Dublin. However, even in urban areas, Ireland has a low population density; Nix notes that "in Paris about 23,000 people live in each square km. Dublin's urban density is estimated at 4,000 people per square km" (Nix 2002). A paradox of the Irish circumstances regarding housing and planning is that increasing land prices have not resulted in an increased the inclination for higher density accommodation; in fact, there has been significant resistance to multi-storey residential developments and continued urban sprawl indicates widespread preferences for owner-occupation over proximity to the place of work. Suggestions that such preferences for owner-occupation in detached houses are an innate, cultural feature of the "anglosphere" [*](O'Sullivan 2007) or an ingrained native Irish hangover from colonial times should be seen in the context of the housing market (including the rental market) not providing high density solutions at suitable prices.

The protection of the environment and housing policy are connected at a number of points- built environment standards, optimal use of land and energy consumption- typically addressed through a state's planning system. Housing constitutes an area's built environment, and has a cultural and aesthetic value which is significant to more than the owner of the property. Externalities play a major role in housing policy as the presence of a badly maintained or unattractive property can interfere with the satisfaction obtained from neighbouring properties, and planning arrangements in a jurisdiction need to find ways to prevent and solve such circumstances.

Beyond the aesthetic, proximity to certain industrial and waste facilities can be detrimental to human health, and a state's planning law should have arrangements to make area residents aware of nearby health risks, as well as enforcement powers to prevent insalubrious developments near residential areas (or at least set conditions by which the development can operate at a more acceptable level of risk). In the European Union, developments with a higher environmental risk are required to be assessed before planning permission can be granted, and the application must be accompanied by an Environmental Impact Statement. As this is set at a European Level by EIA Directive 85/337/EEC (as amended by 97/11/EC and 2003/35/EC), there is consistency in the type of developments requiring these measures- but of course the implementation is subject to local arrangements in a given jurisdiction.

[*] O'Sullivan notes that English speaking countries tend to have bigger units and lower housing densities than European and Asian countries and that these accommodation size preferences are consistent when citizens of these regions emigrate.

Planning law in Ireland and the UK insists that permission be sought for most building works, including certain renovations, with a public declaration (typically a sign outside the premises, but for larger work an advertisement in an approved newspaper is required) giving details of the level of development sought. A timeframe is set between asking for permission and the proposed date of commencement, allowing for interested parties to object to the development if there is a concern. The planning system in both the UK and Ireland is adversarial in nature, with no provision in place for third parties to support a proposed development, only to object. In keeping with the open nature of the process, objections to a proposal are public.

As well as preventing undesirable developments and maintaining a sensible distance between residential and industrial zones, a planning authority needs to take account of the natural environment and ecology of the area. Planning authorities tend to be small and local for accountability and expediency, but matters of an environmental nature need to be addressed consistently across a state, given the level of necessity, the scale of impact and the unattractiveness of implementing environmentalist measures. Building standards and domestic energy consumption are an important factor in a state's level of carbon and other emissions, and these standards need to be set at a higher level than it is expedient for planning decisions to be made at. Naturally, this leaves scope for conflict within various agents of government.

A series of prisoner's dilemma situations occur in planning and built environment matters. On the lowest level, a resident's incentives to maintain the standards of their dwelling and place of work (be it rented or owned) are linked to the expected behaviour of their neighbours; a tenant may not feel it worthwhile to remove graffiti or conduct repairs if these costs are not shared. On an inter-county level, local authorities have a choice to address national issues, such as urban sprawl, or merely take precautions to prevent the symptoms of these problems happening locally. On an international level, countries wishing to address environmental problems with strict laws face the dilemma of internal resistance from citizens who are aware that restrictive laws and taxes, as well as being inconvenient, are ineffective as other countries do not suffer them. With specific regard to built environment in an international context, building standards and housing densities are severely important factors in the carbon emissions generated by heating, electricity and transport.

Planning was one of the areas of power removed from local authorities in Northern Ireland after the Cameron Report, on account of political abuse of the system. Presently, the Northern Irish Planning Division of the DOE has responsibility for local planning. In the Republic of Ireland planning applications are made to a local authority, and appeals can be made to An Bord Pleanála if an applicant or a third party are unsatisfied. Planning is one of the few areas in the Republic where local government has a considerable amount of influence, and consequentially there are conspicuous policy differences in different city, town and county councils, affecting consumer preferences in the housing market and having particular environmental outcomes. In particular, the arrangements governing one-off housing, holiday homes and "locals-only" planning have been controversial and warrant attention.

7.1 One-Off Housing & Locals-Only Planning

Responses to the problems associated with urban sprawl, social exclusion, access to accommodation and the various problems under the umbrella of planning and housing policy inevitably depend on a policymaker's diagnosis of what the crux of the problem actually is, who is affected, and how things ought to be. For certain county councils in Ireland, the problem appears to be the presence of Dublin blow-ins rather than the absence of a capacity to deliver services to a growing and changing community.

"Recently, the issue of discrimination in access to housing has arisen in the use of discriminatory planning conditions by planning authorities. These posit a distinction between privileged people and non-privileged people and allow the former to reside in a newly permitted dwelling while prohibiting the latter from doing so. Discriminatory planning conditions adopted by some local authorities… such as favouring local permanent native residents… seek to prohibit others from obtaining permission to construct a dwelling in that locality". (Kenna 2006).

Kenna notes that while the legality of this discriminatory behaviour has not been tested in the courts, discriminatory planning arrangements such as in Ireland are not unknown in the EU, usually based on the pretext of protecting a local language. Since the publication of "Housing Policy & Law in Ireland", however, in June 2007 the European Commission found that such practices run contrary to articles 43 and 56 of the EC Treaty, guaranteeing freedom of establishment and the free movement of capital, and clarification has been sought on how the policies are not discriminatory. Nonetheless, the arrangements stand at the time of writing.

Some preferential planning arrangements seek to give priority to Irish speakers or local agricultural workers, but by and large the objectives are less charming than this. As well as restricting access to new developments and planning permission, such arrangements by default prop up the sale prices of second hand housing, as new property is not accessible to workers seeking a home in the county. Thus, the impact of such policies is to protect local property owners' interests at the expense of both the free market and welfare needs. Councils with locals-only planning arrangements include Wicklow, Clare and in the Border Area, Louth, Monaghan, Sligo and Donegal. It should be noted that different local authorities stipulate different intensities of local connection, varying from a historical connection to the area, to currently living in the area, being originally from it and working there in a preferred sphere, such as agriculture. For example, the Donegal County Development Plan defines members of the indigenous rural community as “family members from established farming, land owning and non-land owning rural households; returned emigrants originally from the area and new rural dwellers working in the rural area” (Donegal County Council 2006).

Proponents of locals-only arrangements argue that such restrictions are necessary to protect rural areas from excessive construction activity and from being displacing local populations with seldom occupied holiday homes. However, critics of these policies find this hard to take on face value, given that support for locals-only arrangements seems to go arm-in-arm with resistance to other planning considerations, such as those promoted by An Taisce.

The RIAI have remarked that “Unless constrained by the planning system, experience shows that the actual physical and geographical pattern of house building will be more influenced by the local pattern of land ownership than by household need” (Joint Committee on the Environment and Local Government 2003); local-only planning arrangements and one off housing would appear to be a symptom of this lack of constraints. One off housing refers to the phenomenon in rural Ireland of houses being constructed in isolation in response to individual need, rather than as part of a planned development of houses with a consistent appearance and building standards, shared transport, water and waste infrastructure and inclusion in a planned catchment area for schools, postal and emergency services. Typically one off housing units would include holiday homes in scenic rural areas, as well as large residential units built on former farmland.

The Department of the Environment, Heritage and Local Government’s “Best Practice in Urban Design” manual sets out architectural and planning preferences deemed most likely to achieve state planning and environmental objectives with minimum interference to the developer. Even though the stated principles are quite flexible, it is clear that one off housing runs contrary to many of them.

Table 24: Criteria for Best Practice in Urban Design

1: Context:	How does the development respond to its surroundings?
2: Connections:	How well connected is the new neighbourhood?
3: Inclusivity:	How easily can people use and access the development?
4: Variety:	How does the development promote a good mix of activities?
5: Efficiency:	How does the development make appropriate use of resources, including land?
6: Distinctiveness:	How do the proposals create a sense of place?
7: Layout:	How does the proposal create people friendly streets and spaces?

8: Public Realm:	How safe, secure and enjoyable are the public areas?
9: Adaptability:	How will the buildings cope with change?
10: Privacy and Amenity:	How does the scheme provide a decent standard of amenity?
11: Parking:	How will the parking be secure and attractive?
12: Detailed Design:	How well thought through is the building and landscape design?

(Department of Environment, Heritage & Local Government 2007)

Indeed, one off housing in general has been criticised for having poor context (with 'bungalow blight' often cited), connections (because of the inherent reliance on an individual car rather than public transport), layout (as houses are built where land is previously owned rather than in a carefully selected site) and distinctiveness (with houses in a neighbourhood built in different times, and different points in architectural fashion). Holiday homes in particular have been criticised for bad inclusivity (where locals home-seekers are displaced from the housing market by occasional visitors), land use efficiency (particularly the displacement of sustainable employment by seasonal recreation facilities for visitors) and variety of activities facilitated (on account of the market distortion created when local land rents do not reflect local incomes).

Environmentally, one off housing is a concern, the inefficient use of land, the eyesore factor and the displacement of sustainable local agriculture through the land rent competition from less sustainable recreational/tourist users and long distance commuters. One off houses lead to an over-reliance on cars as they tend to be unsuited to public transport individually, as well as contributing to making an area less suitable for public transport investment.

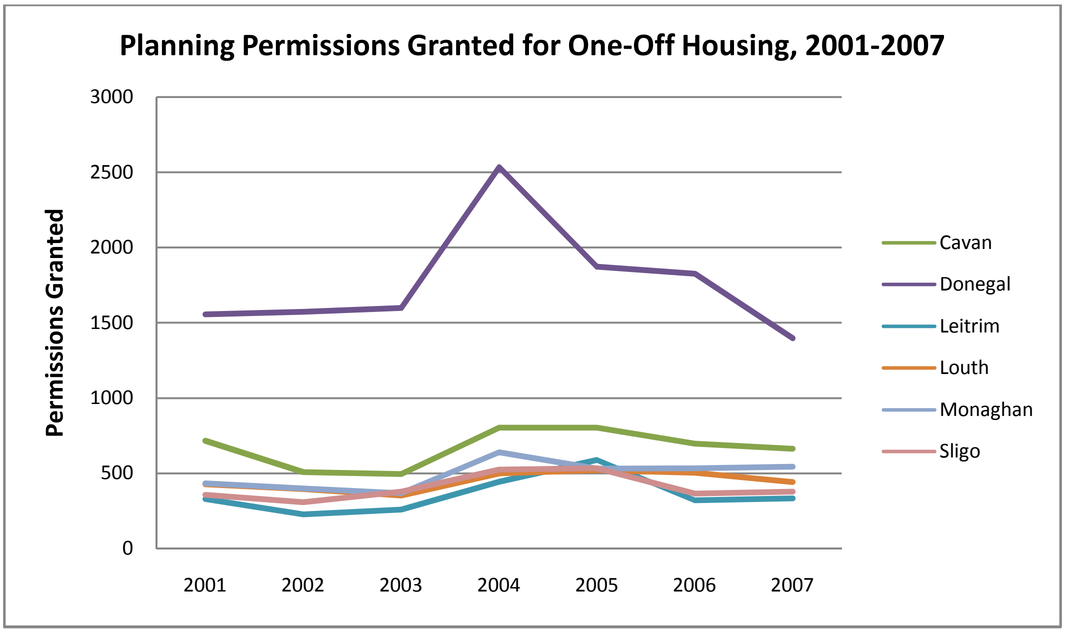


Figure 34: Planning Permissions Granted for One-Off Housing, 2001-2007

The above chart shows planning permissions granted for one-off housing in the border counties. Donegal dominates the chart overwhelmingly, representing between 37% and 46% of all border one-off housing during the period 2001-2007. The figure is particularly remarkable given Donegal's declining population. The following chart shows permissions granted for one-off housing as a percentage of all housing developments.

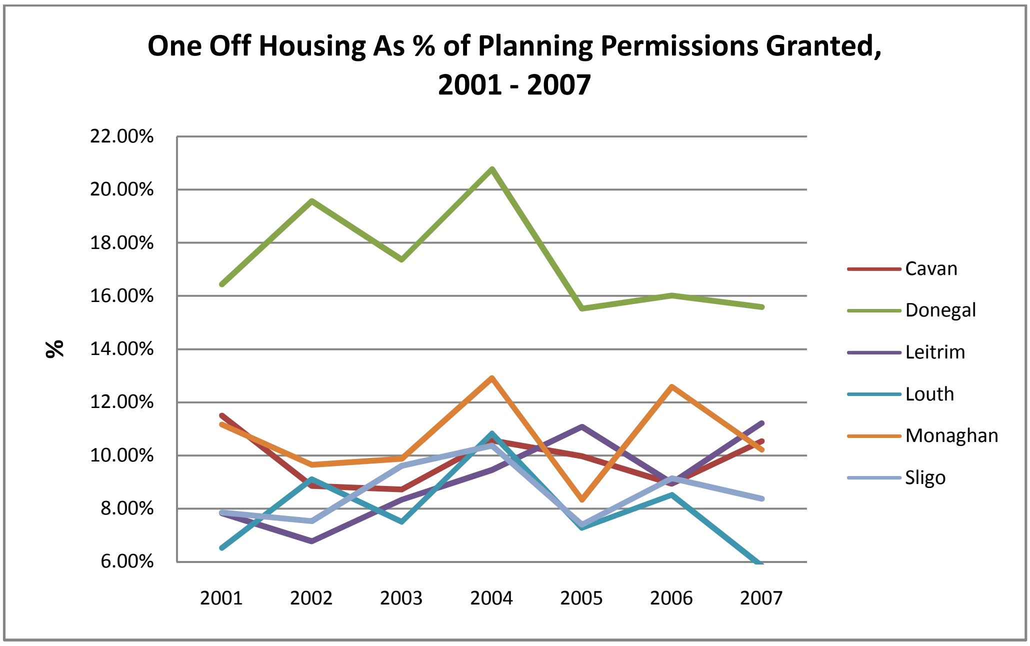


Figure 35: One Off Housing As % of Planning Permissions Granted 2001 - 2007

Even with some local only restrictions, one-off housing represents a massive chunk of all planning permission granted in Donegal; in 2004 it represented more than one in five of all planning permissions in the county.

Nix identifies section 603A (Disposal of a Site to a Child) and section 598 (Disposal of Farm Lands on Retirement) of the Taxes Consolidation Act 1997 as facilitating one-off housing in Ireland. "Usually tax legislation has a principled focus. For example, the provisions which facilitate the transfer of a private company or farm to a "favoured niece or nephew" serve to maintain and reward existing employees. But section 603A has no such focus. It seems posited on the view that just because a parent happens to have land they should be able to transfer some or all of that property to their children free from tax… Instead of minimising the financial burden on the individual and the exchequer, section 603A gives a financial incentive to a person to increase their living costs" (Nix 2002).

7.2 Planning Permission in Northern Ireland

One off housing and ribbon development were concerns in Northern Ireland until a blanket ban was introduced in 2006; however, even before this date, problems with one-off housing were not as prevalent as in the Republic. In the Republic of Ireland, guidelines stipulate that planning decisions should be made by local authorities within eight weeks of submission, unless clarification is needed. Appeals must be made within five weeks of this, and An Bord Pleanala endeavour to make decisions on appeals within eighteen weeks.

Planning decisions in Northern Ireland also aim for an eight-week target, but appeals can be made up to six months after the decision, and the Planning Appeals Commission does not stipulate a time limit. Inevitably, this can cause applications to drag out, particularly in the event of an increase in applications. Recent activity in the Northern Irish property market has led to a massive update in people seeking the Planning Appeal Commission's (PAC) services.

"The intake of appeal casework had already increased dramatically over the last number of years and this year the increase was exponential with over 2700 appeals received – an increase of over 120% on last years intake… Although many appellants had originally opted for an Informal Hearing or an Accompanied Site Visit, over 200 appellants accepted that a Written Representation involving an unaccompanied site visit by a Commissioner, was adequate to determine their appeals. As a result over 45% of appeals decided used the Written Representation procedure taking an average time of 36 weeks" (Planning & Water Appeals Commission 2007).

Note that the 36 week average time referred to above for the PAC's "quickie" service is twice the 18 week target for An Bord Pleanala. Decisions from Formal Hearings in 2006/07 noted an average time of 57 weeks (Planning & Water Appeals Commission 2007); when you also consider that the appeals process can be initiated up to six months after the original decision, it is perfectly conceivable that a standard planning case could stretch out over 18 months in the North. The Chief Commissioner of the PAC has noted in the annual report that increases in workloads have not been matched by increases in resources. The following tables, taken from the PAC's Annual Report 06/07 further illustrate the increasing demands on that organisation. If the North has less one-off housing than the Republic from before the ban on account of too many applications, rather than high planning standards, then the irony of government agency not meeting its targets resulting in positive environmental outcomes is best not dwelt upon.

Table 25: Planning Appeals Received by PAC, Northern Ireland

Appeals Received	2004/05	2005/06	2006/07
Art. 32 *	450	943	2280
Art. 33 **	261	250	416
Enf./ Submission/LDC	22	38	46
Other	29	34	23
Total	762	1265	2765

For comparison purposes, in the year 2006, the Border counties in the Republic (Cavan, Donegal, Leitrim, Louth, Monaghan, Roscommon, Sligo) were subject to 652 planning appeals, representing roughly 12% of applications handled by the border county councils.

Table 26: Planning Appeal Decisions by PAC, Northern Ireland

Appeals Decided	2004/05	2005/06	2006/07
Art. 32 *	344	397	781
Art. 33 **	149	172	153
Enf./ Submission/LDC	2	18	21
Other	24	24	18
Total	519	611	973

Table 27: Planning decisions as a percentage of applications received by PAC, Northern Ireland

Decisions as % of Appeals Received that Year:	2004/05	2005/06	2006/07
Art. 32 *	76.44%	42.10%	34.25%
Art. 33 **	57.09%	68.80%	36.78%
Enf./ Submission/LDC	9.09%	47.37%	45.65%
Other	82.76%	70.59%	78.26%
Total	68.11%	48.30%	35.19%

* **Article 32** Appeal against Planning Service decision on a planning application
** **Article 33** Appeal against non-determination of application

Table 28: Planning Appeals Decided by Method of Processing; PAC Northern Ireland

Appeals Decided by Method of Processing	2004/05	2005/06	2006/07
Formal Hearing Decisions	21	28	22
Informal Hearing Decisions	236	213	248
Written Representations with accompanied Site Visit	213	235	262
Written Representations no accompanied Site Visit	49	135	441

A person wishing to build, or buy and significantly alter, a house near the border will find much food for thought in the different amounts of facilitation offered by the two jurisdictions.

Arthur O'Sullivan observes that, with two cities in a regional economy, differences in residential and industrial zoning displace workers, alter rent and living costs away from market equilibrium in both centres and generate inefficiency (O'Sullivan 2007). His examples are based on American legal and political frameworks; how have such situations been handled in Europe?

7.3 Planning Law & Cross Border Commuting: France & Switzerland

An asymmetry in environmental protection regulations or planning law in two neighbouring states can affect the housing market in the border area and can cause the more flexible jurisdiction to be more heavily leaned upon. Consider the example of France and Switzerland, who, like Northern Ireland and the Republic, share a substantial land border and have different currencies (the Euro and the Swiss Franc). Although Switzerland is not a member of the European Union, it is a member of the EEA (European Economic Area) and as such honours the free movement of European workers. Switzerland is one of the richest countries in the world, with a strong labour market and high wages, reflecting the high cost of living there. The city of Geneva, in particular, is a significant centre for financial institutions and multinational companies, and the city's commuting belt extends beyond the national border.

In general, France has maintained house price affordability; this is largely on account of its demographic structure but price controls, as well as laws governing succession and the rights of tenants also contribute to this. Subsequently, France has the highest rate of properties owned by foreigners in Europe, especially holiday homes and retirement homes. Furthermore, France has a tax of solidarity on fortune, where in addition to taxes on income and sales, a levy is charged on personal wealth; this is controversial as it is perceived by some to be driving entrepreneurs out of France. France is particularly well known for its high standard of government services such as healthcare and education, and for the protection of workers rights (including the famous 35 hour working week).

On the French side of the Geneva border, there is no major urban centre for over 100km (Lyon is 112km to the southwest), making it the most important labour market and infrastructural centre for a considerable radius. Nonetheless, unemployment in the French side is relatively low, lower in fact than Geneva (6.5% versus 7.3%), indicating that residents of this residential and agricultural region are availing of labour opportunities somewhere (Denert 2006). Furthermore, the region has one of the higher rates of demographic growth in France, despite unremarkable birth rates. Numerous Savoyard towns and villages have annual population growth of 2.8%. By comparison, the rapidly expanding French metropolis of Toulouse had annual growth of 1.9% from 1999-2004 while the French national average was 0.6% per year (Denert 2006).

The region's combination of low unemployment and high population growth are a consequence of the high level of cross border mobility, where workers are attracted by higher salaries on the Swiss side (on average 75% higher, but often 100% higher and even 200% higher in certain professions). In fact, a worker who chooses to live in Geneva, even with its higher cost of living, can enjoy a standard of living 30% higher than her French neighbours, on account of the ratio of salary to cost of living. Of course, the situation is more noteworthy when a person earns a Swiss salary and chooses to live in France (Denert 2006).

This population growth, particularly given that it is driven by adult migration, creates strong demand in the property market while supply remains limited. Swiss building regulations are extremely prohibitive, and consequentially, there is an exceptionally low supply of vacant premises for house hunters Geneva. To illustrate, in 2004 only 1,514 new residences were built in the canton of Geneva, the same amount as in the Annemasse agglomeration (with 350,000 less inhabitants). Strong demand for, and weak supply of accommodation, combined with other factors (second properties, age related tenure patterns) contribute to the increase in prices.

Between 1996 and 2003, property prices rose by 7% per year for apartments and 8% for houses in the Savoyard region. Furthermore, in 2004, 10% of house buyers in the town of Annemasse and 26% in the *Genevois* cluster of towns were Swiss, with large numbers of other migrants arriving in the area with a view to commute to Geneva (25%, in the case of Annesmasse). 45% of the sites for houses sold in the *Genevois* cluster of towns in 2004 were to Swiss purchasers (Denert 2006). The following table illustrates price differences between the Swiss and French regions and demonstrates the level of price growth on the French side.

Table 29: Real Estate Prices, France/Geneva 1996 - 2003

Area	Price €/m^2 1996 Apartment	Price €/m^2 1996 House	Price €/m^2 1996 Site to Build	Price €/m^2 2003 Apartment	Price €/m^2 2003 House	Price €/m^2 2003 Site to Build
Annemasse	1707	1252	60	1862	2259	81
St. Julien en Genevois	1122	1219	31	2208	2244	115
Annecy	1246	1213	50	2241	2413	88
Pays de Gex	-	-	-	2500	3000	144
Canton of Geneva	2580	-	256	2867 - 3148	-	291

(Denert 2006)

Clearly, exposure to the Swiss economy has raised prices in the French border region, and the availability of cheap land nearby has not caused a crash in the Geneva property market. Note the higher price increase in St. Julien-en-Genevois where a higher proportion of Swiss buyers was noted. A cross border suburb is in place.

One of the reasons that planning arrangements in Geneva are so strict is that under Swiss law, each canton has to be agriculturally self-sufficient; these arrangements date from the Napoleonic wars, when it was insisted that separate cantons not risk starvation and surrender by being dependent on the agricultural output of a neighbour who was invaded. It is safe to say that these risks are no longer an urgent concern. The restrictions, nevertheless, remain in place and Switzerland has achieved a striking rural-urban balance. However, this balance is made possible by Geneva transferring its urban sprawl onto its neighbour.

From a cross border regional perspective, any environmental advantages from the low carbon footprint enforced by Geneva's planning laws are utterly outweighed by market forces driving commuters into a state with more lenient zoning arrangements. In this instance, strict planning regulations represent the displacement of urban sprawl, rather than the removal of it. Additionally, taxation arrangements in France include property and wealth taxes; the price increases in the area may be unwelcome for border residents who do not commute to Geneva, earn a Swiss salary, have the options of claiming certain taxes back, and even concealing possessions from the view of the wealth tax. Distance commuting is a sectoral rather than a general trend, and border commuters, especially in an otherwise rural area, are likely to be the most affluent in the area; it is hardly fair that such residents should be spared the pinch of the taxman.

However, frontier worker activity may have become a scapegoat in some instances at the French/Swiss border. Mission Opérationnelle Transfrontalière (MOT) undertook a study to examine the supposed link between inflationary prices of land and property in the Department of Haut-Rhin (near the Swiss town of Bale) and the influx by Swiss and German settlers. The study noted that, in that instance, the amount of foreign commuters was relatively low, contrary to anecdotal observations (Denert 2006). Nonetheless a border effect was still in place.

Switzerland's centrally placed restrictions, and limited supply of land, compel authorities to engage in public/private partnerships with landowners and developers to achieve their planning objectives. These contracts are relied upon to curb land-hoarding and to choose locations for development in partnership with landowners, taking full account of overall local/regional spatial development plans. This approach contrasts with the French tradition of control of land acquisition and regulation of planning & development to prevent speculation by private operators. On paper, the French approach represents a flexible policy toolkit. However, laxity in enforcement of regulations has led to undesirable outcomes (Denert 2006).

Although the French side has more than enough regulatory discretion, such as are applied near the Geneva border, these powers are not enforced at all in Haut-Rhin except to acquire land for industrial/commercial activities. The Swiss side may lack legal provisions for the acquisition and control of land and property, but its absolute insistence on the strictest adherence to planning regulations means that casual or over-intensive developments are avoided. On the French side, a failure to apply planning regulations in Haut-Rhin has led to "chaotic development with no apparent overall vision"- similar to the one-off housing at the Irish border. In this instance, bad policy in one jurisdiction and bad enforcement in the other has led to a negative outcome for the region (Denert 2006).

This story has a happy ending of sorts; Genevan officials struck an agreement with their French neighbours where a financial contribution from the Canton is made to the French municipalities to subsidise service provision to cross border commuter residents without leaning too heavily on French employed residents. However, the contrasting planning arrangements still stand.

7.3 Lessons from the Swiss/French Border for Ireland

The most striking lesson from the Swiss/French border is the futility of high-minded, inflexible environmental protection laws if they merely encourage displacement of undesirable behaviours. Laws governing matters of national pride, such as the environment (but also matters such as a national language or lifestyle) are very hard to reverse if they prove not to be sensible, due to loss of face. The blanket ban on one-off housing in the North, and the "locals-only" and "Irish speakers only" arrangements in certain parts of the Republic, would appear to fall under this category.

Secondly, the situation at the Bale/Haut-Rhin border demonstrates that bad environmental outcomes are not just a matter of bad policy, but also of bad enforcement. Centralised decisions will always suit some regions more than others. However, even with good policy that grants local decision-makers enough discretion to deal with their regional circumstances, bad outcomes can result from their ineffective execution. Not all the counties in the border area have the same experience of one-off housing; then again, not all of the border counties are as dependent on the construction work this imperfect activity generates.

Thirdly, bad planning outcomes in border areas are linked to the tenure preference of micro-emigrants for owner-occupied housing, typically built to measure. As with social residualisation in border areas, this could be tackled by making rental accommodation more attractive; this would encourage the renovation and use of existing vacant stock and incline local construction activity towards more sustainable developments.

7.4 Other Factors Contributing to Housing Densities in the North and Border Area

It is too simplistic to view the North South planning situation as being the case of an "easy" planning jurisdiction next to a "strict" one, in fact, the situation may be worse than that. Both states have their advantages and disadvantages. For example, it has been easier in the North to get permission for large scale retail developments such as Ikea. There are three reasons for this. Firstly, the centralised nature of planning in Northern Ireland ensures consistency throughout the region and allows major retail projects to be quickly identified and prioritised, even in the event of a large backlog of applications. In the Republic, city and county councillors are charged with planning decisions; many councillors will be involved in local businesses that may be threatened by a new large shopping centre. Objections are still possible, but an application for a large retail centre is more likely to be approved in the first instance in the North's centralised system.

Secondly, Northern Ireland does not have restrictions on the sizes of shopping centres. Although restrictions were recently lifted in the Republic[♦] to allow for the proposed Ikea in Ballymun, this historical difference has contributed to a large stock of large shopping centres in the North. Large outlets were resisted in the Republic on account of the perceived threat to main street shops that these stores represent, with a consequential impact on a town's social capital. It is quite possible that in a polarised environment, such as Northern Ireland has been until recently, the sanitised cultural anonymity of a shopping mall has an advantage over asserting local identities.

Thirdly, price differences- due both to exchange rates and VAT- have historically favoured shoppers from the Republic making retail visits to Northern Ireland, and as such the catchment area of Northern malls has extended across the border. This practice has become even more prevalent since the Good Friday Agreement and the introduction of the Euro, which is widely accepted in facilities such as Junction One (Antrim), The Outlet (Banbridge) and Foyleside (Derry). However, even before these developments, it was perfectly normal for citizens of the Republic to make intermittent shopping visits to the North.

Shopping centres, particularly as an alternative to retail facilities in central business districts, have an impact on urban density and have been associated with sprawl, the withering of town centres and an increasing dependency on cars. Certainly, the North and Border region is very low density, with high car ownership and much metropolitan de-concentration. Paris and Robson assert that declining housing starts in Belfast and increasing starts in its surrounding districts are evidence of increasing sprawl and de-concentration (Robson and Paris 2001).

[♦] A limit of 6,000 square metres was set for shop sizes until 2005. However, since this has been lifted, no such developments have yet been undertaken.

Chapter 8: Conclusions: The Case For Cross Border Cooperation on Housing

Cross border commuting is happening in Ireland, and there is sufficient regional variance for it to continue to do so, even if certain areas reach equilibrium. The commuting patterns caused by this movement will have an impact on housing, whether it is centrally planned or not, but clearly the optimal outcome for both states will only be achieved if mechanisms for cooperation are put in place. Currently, there is some balance in the Irish situation in that North-South traffic on the West appears to balance South-North traffic on the East, but this could change. It is not the mandate of this thesis to predict the future, merely to identify risks and suggest solutions.

Firstly, it needs to be stated that cross border commuting activity is borne of natural local responses to local opportunities; the best approach to solving the problems associated with frontier economic activity is to support local decision making. Cross border commuting is a concern of regional policy, and unwelcome economic outcomes in border areas are typically the result of central government setting a national policy that is a poor fit for a border region. The national policy may not relate directly to housing but can have an impact on the housing sale and rental markets as well as the welfare aspects of housing. National wage agreements, transport projects and even developments in communications and technology can change the way we work and live, altering residency preferences.

Countries and regions where cross border commuting agreements have worked well, particularly relating to housing and spatial policy, have strong local government traditions where regional and municipal authorities have capacity to take substantial, independent policy positions and raise revenue separate to the largesse of central government. This is not the case in either the Republic of Ireland or Northern Ireland, where local government's capacities were limited at times of emergency and have not been restored. In the long term, cross border activity will work best when local government has a capacity to respond promptly and directly to continually changing local circumstances. While we are waiting for such halcyon days to arrive, arrangements can still be put in place to maximise the benefits and minimise the risks of border situations.

Having mentioned the risks, it must be stated that when well managed, cross border commuting is nothing to fear and has maximised worker and entrepreneur opportunity while repopulating rural areas. Opposition to cross border commuting implies an acceptance that a neighbouring jurisdiction has favourable circumstances to the local one, and criticising workers seeking availing of opportunities rather than poor local legislation is an unsustainable position. Furthermore, cross border commuting is a far favourable situation to emigration, which has never been an effective solution to unemployment from a regional perspective.

If it were the case that cross-border commuting movements are triggered by differences in property prices, it could reasonably be asserted that the situation will eventually reach market equilibrium and sort itself out without intervention. It is not my opinion that this will be the case. There are significant differences in incentives through planning and taxation structures in the two jurisdictions to allow preferences to be extended for a particular jurisdiction even if it becomes more expensive than the other. Furthermore, currency differences, as long as they continue, extend different access to credit in the two jurisdictions, as well as exposing both to different international risks. Neither the Republic nor Northern Ireland, for all their recent economic success, are significant enough drivers of their respective currencies for them to extend consistently favourable influence on fiduciary policy in the long run, and will eventually they will be faced with unfavourable inflation and interest rates. It is entirely possible that one jurisdiction will face this situation when the other doesn't, which could alter the direction of cross border movements and cause a freak regional effect at a difficult economic time. A change in planning regulations, property taxation, taxation deductions or social housing allocations in either jurisdiction could result in a significant evacuation, or repopulation, of the other.

Besides, frontier worker situations aren't caused by property price differences, but rather by differences in employment opportunities, taxation and regulation; this is clearly the case in Copenhagen-Malmö and Geneva-France. After all, property prices themselves are a response to income levels and access to credit, which are determined by employment and taxation circumstances. Generally, property prices are lower in the residential jurisdiction because of unfavourable taxation and little enterprise, and commuting movements, be they within state borders or not, reflect the clustering of firms and residences at their points of advantage in the urban spread with housing costs being a side effect of this process. This is evidently the case in the Greater Belfast Area where land rents are higher outside the central business district.

There are precedents of cross border teamwork in economic development (such as the Lifford-Strabane Development Commission), in charities and voluntary housing associations, as well as provision for support at EU level for agencies facilitating cross border mobility, and these can set a framework for cooperation to deal with housing issues. No solution that excludes local stakeholders is likely to have a positive impact.

8.1 Housing & Environmental Policy: Recommendations for Cooperation

From an environmental and spatial planning perspective, long distance commuting is in itself a symptom of bad planning, centralisation and an over-reliance on motor transport. Where cross border commuting is long distance, this is a problem but in many instances in Ireland, cross border commuting represents an alternative to long distance commuting. There is evidence of workers commuting to Dublin from Leitrim and Monaghan; opportunities in the North would represent lower emissions and quality of life improvements for such people. Certainly, some of the best opportunities for concentric development in Ireland exist in border areas, particularly with Newry/Dundalk and Letterkenny/Donegal; these have already been recognised in the National Spatial Strategy.

Perhaps more importantly, planning regulation differences in border areas cause negative and self-reinforcing outcomes in the more permissive jurisdiction. In the border area, the South has fewer restrictions on one-off housing and holiday homes (with the attendant problems of service delivery) whereas the North is more lenient with large retail developments such as Ikea (which can have a negative impact on urban centres and a corresponding outcome for local urban densities). Typically a jurisdiction would have one problem or the other, but a border area such as in Ireland can have a “perfect storm” with economic and environmental consequences beyond the eyesore factor.

It is not satisfactory that one district can issue pious environmental decrees and that neighbouring districts should suffer negative environmental impacts as a consequence; it is doubly unsatisfactory if each district has an “Achilles Heel” in its environmental regulation and both are negatively exploited. If a unified approach cannot be imposed, networking arrangements for officials on both sides of the border should be supported so that policy asymmetries can be identified before their exploitation becomes too prominent, and that some baseline of similar standards be agreed upon in neighbouring districts.

Recommendations

1. Incentives for preferable environmental behaviour be made equally available to residents in the border area, to create consistent positive effects for the entire region.
2. Disincentives for undesirable environmental behaviours be implemented in a coordinated way to prevent displacement; particularly, one-off housing.
3. Provision be made for observers from the neighbouring state to be included in planning meetings.
4. Border area county councils and Northern Irish Planning Service adopt similar enforcement standards, if not similar policies.

8.2 Housing & Social Policy: Recommendations for Cooperation

A consequence of a falloff in taxation in either jurisdiction is that funds will not be available to promulgate welfare objectives. As neither areas are self financing entities in their own right, and both are net beneficiaries of the welfare spend of their respective states, perhaps this is a moot point. However, this may not always be the case; certainly, the wheels of greater selfsufficiency for Northern Ireland have been in motion since rates were brought into line with the rest of the UK and water charges were introduced.

When two states deal in a similar geographic area with a contested issue, such as traveller accommodation, problems can arise; if one state is complacent, the other may be excessively leaned upon. The problems of poverty, homelessness and social exclusion are universal, but two states should be twice as capable of addressing them as a single state.

Perhaps the greatest scope for housing cooperation exists in the area of social provision; voluntary housing associations exist on both sides of the border, and a number of them operate on both. Autonomous organisations in cross border areas might be particularly well placed to observe and attend to the needs of an overall area; a voluntary body with stock on both sides of the border would be able to avail of funding from both governments and deal with applicants from both sides in a consistent manner that complements the service objectives of both districts.

Recommendations

1. Existing Voluntary Housing Bodies in the Republic be invited to operate in the North; this will involve addressing the matter of housing qualifications being necessary in the UK and not in the Republic.
2. The creation of cross border housing bodies to deliver a unified service to particular areas on the border should be encouraged. This could benefit from funding from both jurisdictions, as well as being able to apply for funding directly to the EU, and their existence would prevent a single state carrying a disproportionate burden.
3. Differences in terminology should be clarified, particularly where the two jurisdictions have different interpretations of "homelessness", "acute need" and "disability". It may not be necessary to synchronise these definitions; people in dire circumstances can often not meet certain criteria due to a lack of flexibility in legislation and two states working in conjunction could, with a combined approach, prevent people falling through the cracks.

<u>8.3 Housing & the Market: Recommendations for Cooperation</u>

The size of the border market may not warrant change of property taxation at a central level in the Republic of Ireland, and the rates system operating in the North has distinct advantages over the stamp duty regime in the South. It can be expected that this taxation asymmetry will exist for some time. However, there is scope for cooperation in information sharing between the two jurisdictions to prevent abuse of first time buyer privileges in the Republic. Currently there are no measures in place to check if a citizen of the North, purchasing a property in the Republic, is already a property owner; correcting this measure would redress any misconceptions among the public of frontier workers as spongers.

Taxation arrangements for frontier workers between Ireland and Britain are currently geared at protecting against double taxation rather than collecting lost revenue, and a number of delicate issues need to be faced when considering future taxation agreements with the United Kingdom; in particular, that the function of pigouvian, or “sin” taxes to alter behaviour not be compromised in the border region and that these taxes should not be subject to refunds. Given that mortgage relief has been discontinued in Northern Ireland, there is no scope for reciprocity in cooperation in this area.

The market dissimilarities around the Irish border are not as extreme as in the Copenhagen/Malmö or Geneva/Annemasse situation, although incentive structures in the housing market are sufficiently different to create unintended effects.

One area where cooperation could be particularly beneficial is in the housing rental market, particularly given the stock of holiday homes, one off housing and vacant premises in many areas of the border. If agreement could be reached to cooperate on rent relief- to allow salary earners from one jurisdiction to claim back tax for rent in the other jurisdiction- then cross border commuting could facilitate the repopulation of some border towns without leading to gentrification and displacement, as well as creating a source of income for the unemployed owner occupiers prevalent in the region. This could contribute positively to the nature of housing developments proposed in border areas, making occasional, unsustainable dwellings relatively less attractive.

Recommendations

1. Both states share information on first-time buyers and other details that would entitle a consumer to tax exemption privileges;
2. That sin taxes, designed to cultivate preferable behaviours in housing, not be eligible for refunds through taxation treaties;
3. Rent relief be available to persons earning a salary in the neighbouring jurisdiction;
4. Mortgage interest relief not be extended to workers earning a salary in Northern Ireland, as this cannot be reciprocated.

In conclusion, while the mobility of citizens across borders exposes the futility of many stern, prescriptive policies, it also presents the possibilities of cooperation for mutual benefit and real results in social and environmental matters, rather than mere displacement.

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