

## Note for NCC Meeting 90

**Meeting:** National Competitiveness Council No 90

**Venue:** O'Callaghan Mont Clare Hotel, Dublin 2

**Date:** 8:30 – 10.30, Thursday 20th April 2017

### Members

- Professor Peter Clinch, Chair
- Pat Beirne, Chief Executive Officer, Mergon Group
- Micheál Collins, Assistant Professor of Social Policy, University College Dublin
- Isolde Goggin, Chair, Competition and Consumer Protection Commission
- Declan Hughes, Assistant Secretary, Department of Jobs, Enterprise and Innovation
- Jane Magnier, Joint Managing Director, Abbey Tours
- Sean O'Driscoll, President, Glen Dimplex Group
- Martin Shanahan, Chief Executive, IDA Ireland
- Margot Slattery, Country President Sodexo Ireland and Northern Ireland, Sodexo
- Patrick Walsh, Managing Director, Dogpatch Labs
- Jim Woulfe, Chief Executive, Dairygold

### Advisors

- Patricia Cronin, Department of Communications, Climate Action and Environment
- David Moloney, Department of Public Expenditure and Reform
- Ray O'Leary, Department of Transport, Tourism, and Sport
- Kevin Smyth, Department of Agriculture, Food and the Marine
- Dave Walsh, Department of Housing, Planning and Local Government

### Apologies

- Kevin Callinan, Deputy General Secretary, IMPACT Trade Union
- Cathriona Hallahan, Managing Director, Microsoft Ireland
- Danny McCoy, Chief Executive Officer, Ibec
- Julie Sinnamon, Chief Executive, Enterprise Ireland
- Ian Talbot, Chief Executive, Chambers Ireland
- Kathleen Gavin, Department of Education and Skills
- John McCarthy, Department of Finance
- Conan McKenna, Department of Justice and Equality
- John Shaw, Department of the Taoiseach

### Secretariat

- Marie Bourke, Eoin Cuddihy, John Maher



<p><b>90.0 Introduction</b></p> <p>The Chair welcomed members to meeting 90.</p>	No action
<p><b>90.1 Minutes from Meeting 89</b></p> <ul style="list-style-type: none"> <li>▪ The minutes from meeting 89 were approved. The Agenda and Minutes will be published on the NCC website in accordance with the 'Compliance Code' of the Lobbying Act.</li> </ul>	No Action
<p><b>90.2 Matters Arising</b></p> <ul style="list-style-type: none"> <li>▪ Marie Bourke noted that since meeting 89, the Council's report <i>Benchmarking Competitiveness: Ireland and the UK, 2017</i> was considered by the Cabinet Committee on the Economy, Trade and Jobs and by Government.</li> <li>▪ The report was published on 12<sup>th</sup> April.</li> <li>▪ Following discussions with the NCC secretariat on the dearth of data on trade transiting the UK, the Department of Transport, Tourism &amp; Sport outlined the datasets they are developing.</li> </ul>	No Action
<p><b>90.3 NCC communications and advocacy</b></p> <p>Ms Bourke and the Chair elaborated on the following:</p> <ul style="list-style-type: none"> <li>▪ The publication of <i>Benchmarking Competitiveness: Ireland and the UK, 2017</i> and related Bulletin on the NCC website.</li> <li>▪ Subsequent media coverage on the report and related competitiveness issues, and coverage in Business Bulletins and Newsletters.</li> <li>▪ Presentations to the Boards of Enterprise Ireland and IDA Ireland on competitiveness and productivity.</li> </ul>	No Action
<p><b>90.4 Draft Costs of Doing Business in Ireland 2017</b></p> <ul style="list-style-type: none"> <li>▪ An overview of the Council's draft report <i>Costs of Doing Business in Ireland 2017</i> was given by Eoin Cuddihy. The report builds upon a series of Costs reports undertaken in recent years, concentrates on costs that are largely domestically determined and focuses on benchmarking. Policy issues will be considered in the 2017 Competitiveness Challenge.</li> <li>▪ The key findings and messages emerging from the report were presented by Mr Cuddihy. He noted that while cost competitiveness has improved, clear threats have emerged. Increases in labour costs must be based upon productivity improvements. Rising energy prices and inflation and exchange rate effects are having a significant impact on Irish competitiveness performance as measured by the HCI. Ireland cannot rely on benign exchange rates to maintain cost competitiveness.</li> <li>▪ Developments in labour, property, transport, utilities, credit costs, services and the wider cost environment were the focus of the presentation as follows: <ul style="list-style-type: none"> <li>○ Labour cost growth is positive (certain sectors). It remains</li> </ul> </li> </ul>	<p>Incorporate Council feedback into final Draft prior to presentation of the Report to MJEI, submission to Government and subsequent publication.</p> <p>The Secretariat to revise the draft report to ensure that the comments and concerns of members with regard to key issues are highlighted.</p>



vital that increases in labour costs are underpinned by productivity improvements.

- Property costs remain a significant threat to sustained competitiveness – increases in commercial rents occurring alongside rapid growth in residential rents.
  - Cost of credit remains relatively high in an international context.
  - Business services prices continue to grow faster than CPI inflation.
  - Inflation in 2017 is faster than previous years driven by increases in the prices of Transport (fuel); Housing; and Insurance.
- Council Members noted the draft report and discussed the findings. A number of Members highlighted the significance of developments in the property sector, the importance of using up to date official data on prices and also capturing data on the shortfall and underlying causes of price increases. A number of Members considered that the importance of housing to the overall cost agenda merited the subject receiving greater emphasis and prominence in the final report. Recently released Census 2016 data could be used in order to achieve this.
  - A number of Members raised the importance of labour costs to enterprise competitiveness and the need to ensure the report sets out current developments in the labour market as well as trends over time. The progressivity of the Irish taxation system is an important message emanating from the report.
  - Credit costs, particularly the administrative and due diligence costs associated with loans up to and including €1 million (which were almost the same for larger loans) were mentioned as a long standing problem. A more diversified lending market was cited as a way of reducing the interest rates on smaller loans.
  - Insurance costs were referred to as a continuing source of consumer price pressure and a cost pressure point for business.
  - Members discussed the increasing services producer prices across a number of sectors and how it is reflected in the report.
  - While appreciating the data driven nature of the report and the related constraints on data (availability, timeliness, international comparability) members recalled the importance of reflecting current and likely future costs and price developments in the report.
  - The Chair noted the importance of reflecting the context for cost and price pressures particularly infrastructure in the report and their impact on productivity.
  - The Secretariat undertook to reflect Member's comments in the final

<p>draft, particularly as regards identifying current competitiveness threats on the horizon and reflecting the Council’s policy recommendations as set out in the 2016 Challenge.</p> <ul style="list-style-type: none"> <li>▪ The Council were invited to email to the secretariat final observations as soon as possible. On foot of final comments, the report will be revised. The report will be brought to the Minister for Jobs, Enterprise and Innovation and the Cabinet Committee on the Economy, Trade and Jobs and Cabinet for consideration prior to publication.</li> </ul>	
<p><b>90.5 Presentation on the National Accounts</b></p> <ul style="list-style-type: none"> <li>▪ At the last NCC meeting in April, recent developments in the national accounts and the work of the CSO’s Economic Statistics Review Group in providing a comprehensive picture of the highly-globalised Irish economy was discussed. In light of the importance of the national accounts data to the Council’s work a presentation from the National Accounts section, of the CSO was requested.</li> <li>▪ Mr Michael Connolly of the CSO with responsibility for National Accounts Integration and Large Cases Unit presented to the Council on Irish Economic Statistics and the Economic Statistics Review Group Report and subsequent follow up by the CSO, particularly with regard to the development of the GNI* indicator.</li> <li>▪ The presentation was followed by a Q and A session regarding measures of economic growth and globalisation.</li> <li>▪ The Chair thanked Mr Connolly for his comprehensive presentation.</li> </ul>	<p>No action</p>
<p><b>90.6 Any Other Business</b></p> <ul style="list-style-type: none"> <li>▪ The Chair asked that members contribute to the Executive Survey being undertaken by the World Economic Forum in the context of the development of their Global Competitiveness Report 2017.</li> <li>▪ Members were asked to submit to secretariat their views on topics for NCC Bulletins.</li> <li>▪ Members were asked to note the meeting dates for the rest of 2017. The next Council meeting is scheduled for 29<sup>th</sup> June 2017.</li> </ul>	<p>Secretariat to send WEF survey to Members</p> <p>Next meeting June 29 2017</p>