

Minutes for NCC Meeting 94

Meeting: National Competitiveness Council No 94
Venue: O'Callaghan Mont Clare Hotel, Dublin 2,
Date: 8.30 – 10.30, Thursday 14 June 2018

Members Present:

Prof Peter Clinch, Chair
Pat Beirne, Chief Executive Officer, Mergon Group
Kevin Callinan, Deputy General Secretary, IMPACT Trade Union
Micheál Collins, Assistant Professor of Social Policy, University College Dublin
Isolde Goggin, Chair, Competition and Consumer Protection Commission
Cathriona Halahan, CEO/Managing Director (Ireland), Microsoft
David Hegarty, Assistant Secretary, Department of Jobs, Enterprise and Innovation
Fergal O'Brien, Director of Policy and Chief Economist, Ibec
Margot Slattery, Country President, Sodexo Ireland
Julie Sinnamon, Chief Executive, Enterprise Ireland
Ian Talbot, Chief Executive, Chambers Ireland
Patrick Walsh, Managing Director, Dogpatch Labs
Jim Woulfe, Chief Executive, Dairygold Co-operative Society Limited

Advisors

John Conlon, department of Employment and Social Affairs
Patricia Cronin, Department of Communications, Climate Action and Environment
John McCarthy, Department of Finance
Conan McKenna, Department of Justice and Equality
Ray O'Leary, Department of Transport, Tourism, and Sport
John Shaw, Department of the Taoiseach
Sinead McPhilips, Department of Agriculture, Food and the Marine

Apologies

Jane Magnier, Joint Managing Director, Abbey Tours
Sean O'Driscoll, President, Glen Dimplex Group
Martin Shanahan, Chief Executive, IDA Ireland
Kathleen Gavin, Department of Education and Skills
David Moloney, Department of Public Expenditure and Reform
David Walsh, Department of Housing, Planning, Community and Local Government

Secretariat

Santosh Aryal
Marie Bourke
Teodora Corcoran
John Maher

<p>94.1 Minutes/matters Arising</p> <p>The minutes from meeting 93 were approved.</p> <p>Marie Bourke provided an update on activities since the last meeting:</p> <ul style="list-style-type: none"> ▪ Ireland’s Cost of Doing Business 2018 was considered by Government and published on 1st June 2018 along with the Cost of Doing Business Competitiveness Bulletin. ▪ An IMD Competitiveness Ranking Bulletin was issued on 23 May. 	<p>No action</p>
<p>94.2 Ireland Competitive Scorecard 2018</p> <ul style="list-style-type: none"> ▪ Teodora Corcoran presented on the draft <i>Ireland’s Competitiveness Scorecard 2018</i> report. The Scorecard builds on the <i>Cost of Doing Business</i> report and acts as a pre-cursor to the <i>Competitiveness Challenge</i>. The presentation focused on key issues emerging from the analysis as follows: <ul style="list-style-type: none"> ○ Quality of life – positive rankings for well-being but climate change presents significant challenges. ○ Business performance – Ireland’s share of global exports and services have increased but export base and range of exported goods is concentrated. Irish business continues to face higher interest rates than competitors abroad. ○ Costs and productivity – Ireland’s profile is described as “high cost and rising”. Productivity levels and growth are strong but skewed by globalisation activities. ○ Employment – as the labour market is approaching full capacity job vacancy levels are increasing, particularly in the Professional, Financial and insurance and ICT sectors. ○ Infrastructure – investment in infrastructure is increasing but remains low relative to pre-crisis levels and compared to OECD average. ○ Knowledge and Talent – Gross expenditure on R&D is increasing and is at its highest level in the period 2007-2016. ○ Top line conclusions - positive economic performance, headline measures of economic growth, the labour market and public finances continue to improve but a number of medium-term threats, range of external uncertainties and domestic challenges remain. ▪ Council Members noted the draft report, discussed the findings and provided comments on the content and key messages, in particular: <ul style="list-style-type: none"> ○ GDP based data overstates Ireland’s competitiveness performance, competitiveness risks are high. GNI* should be used where possible (e.g. debt/GNI* ratio); debt per capita is third highest in the world; the need to ensure complacency does not set in as we are approaching full employment 	<p>Secretariat to take on board Member’s comments</p> <p>Subject to receipt of outstanding comments from Members and advisors, the Scorecard was approved - final text will be circulated by email</p>

<ul style="list-style-type: none"> ○ include measures of globalisation from a recent publication to set the scene - Bertelsmann globalisation index ○ concern was expressed that the data is lagging and that current competitiveness issues may not be reflected with the degree of urgency required in relation to talent shortages, housing , costs rises and tax reforms. These should be reflected in the Preface. These should include current legislation considered in the Dail that will increase the regulatory burden on business. Reflect the international threats facing the country, including Irish exposure due to concentration and Brexit exposure, particularly its regional impact. The preface should set out the issues to be considered in the Challenge report. ○ The shortfall and affordability of residential housing has a negative impact on competitiveness and should be captured internationally ○ The lack of availability of readily available skills and talent is a key factor for many businesses and there is a concern that immigrants from the rest of Europe are no longer attracted to Ireland and less Irish emigrants are returning <p>Council members were asked to submit any final comments on the indicators and other matters, directly to the Secretariat. On foot of final comments, the report will be revised and will be submitted for approval to the Minister for Business, Enterprise and Innovation and Cabinet for noting prior to publication.</p>	
<p>94.3 Discussion on the Key areas of focus for the NCC Challenge 2018</p> <ul style="list-style-type: none"> ▪ Based on the findings in the Scorecard, and in order to focus the discussion, Secretariat presented the following draft key challenges as a suggested approach to themes to be included in the 2018 Challenge: <ul style="list-style-type: none"> ○ Costs pressures and capacity constraints are evident in key areas – particularly in relation to property, labour costs, credit, services prices and electricity prices for large users where Ireland performs below competitor countries. ○ Bridging the productivity gap that exists between the most productive firms and laggard firms is vital for sustainable growth prospects. A narrow base of exporting enterprises and range of exported goods and markets – expanding the export base and range of exported products and market destinations and promoting enterprise innovation remains a challenge. ▪ Council members offered the following comments and suggestions: <ul style="list-style-type: none"> ○ focus on the sustainability of the Irish economic model given the complex and highly-globalised nature of the Irish economy – include 	<p>No action</p>

<p>concentration in products, markets and the small number of key companies</p> <ul style="list-style-type: none"> ○ the need to address difficulties in attracting and retaining talent associated with high marginal income tax rates and the housing crisis – competitiveness link between talent, housing and wage pressure ○ the changes in US tax policy are significant and will have an impact on decision making of multi-national corporations. ○ examine challenges in relation to climate change and the lack of progress towards achieving Ireland’s targets, the need for tax reform, competitiveness and infrastructure, education, skills and training and the labour force, increasing export competitiveness ○ address challenges related to the digitalisation of the economy and its impact on the labour market and skills availability – lifelong learning and digital skills ○ the productivity gap and the link to innovation; the need to become an innovation leader and not a follower; support to advanced manufacturing ○ address the concerns around the issues of quality and the regional availability of high speed broadband services ○ provide further incentives to start-ups and indigenous enterprises (the entrepreneurial economy), e.g. capital gains tax; income tax for entrepreneurs; share options; ○ the lack of adequate civic engagement on the importance of competitiveness issues, e.g. planning; water; bus corridors; housing ○ the fall in international rankings and Higher Education funding issues – no Irish third level college in the top 100 ○ consider how we balance the investment in infrastructure against the risks of overheating the economy. ○ planning delays in Ireland especially for projects of national importance is an issue. 	
<p>94.4 Productivity in Ireland</p> <ul style="list-style-type: none"> ▪ Michael Connolly, CSO, presented the findings of the CSO work on productivity. The CSO publication examines the impact of all inputs (labour, capital, multi-factor productivity) on Irish productivity. ▪ Mr. Connolly took questions from the floor on the availability of sectoral data and the possibility of benchmarking our productivity performance against international competitors 	<p>The Chair will engage with the CSO bilaterally on their work on productivity</p>
<p>94.5 NCC Communications</p> <ul style="list-style-type: none"> ▪ Marie Bourke elaborated on publicity and media coverage associated with Cost of Doing Business and IMD. 	<p>No action</p>

<ul style="list-style-type: none"> ▪ The Chair delivered a number of presentations in recent months to raise awareness of the NCC research and advocate for its recommendations. 	
<p>94.6 AOB</p> <ul style="list-style-type: none"> ▪ As agreed at the meeting of 8 March, the Council will publish a Statement on productivity. 	<p>The Secretariat will prepare the statement for approval by members</p>