

Minutes for NCC Meeting 95

Meeting: National Competitiveness Council No 95
Venue: Alex Hotel, 41-47 Fenian Street, Dublin 2
Date: 8.30 – 10.30, Thursday 18 October 2018

Members Present:

Prof 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
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
Ian Talbot, Chief Executive, Chambers Ireland
Jim Woulfe, Chief Executive, Dairygold Co-operative Society Limited
Sean O'Driscoll, President, Glen Dimplex Group
Martin Shanahan, Chief Executive, IDA Ireland

Advisors

John Conlon, Department of Employment and Social Affairs
Patricia Cronin, Department of Communications, Climate Action and Environment
Kathleen Gavin, Department of Education and Skills
John McCarthy, Department of Finance
David Walsh, Department of Housing, Planning, Community and Local Government
Ray O'Leary, Department of Transport, Tourism, and Sport
John Shaw, Department of the Taoiseach

Apologies

Julie Sinnamon, Enterprise Ireland
Kevin Callinan, (IMPACT)
Jane Magnier, Joint Managing Director, Abbey Tours
Patrick Walsh, Dogpatch
Conan McKenna, Department of Justice and Equality
Sinead McPhilips, Department of Agriculture, Food and the Marine
David Moloney, Department of Public Expenditure and Reform

Secretariat

Marie Bourke
Teodora Corcoran
Manus O' Donnell
Santosh Aryal

<p>95.1 Minutes/matters Arising</p> <p>The minutes from meeting 94 were approved.</p> <p>The Chairman provided an update on activities since the last meeting:</p> <ul style="list-style-type: none"> ▪ Ireland’s Competitiveness Scorecard 2018 was considered by Government and published on 18th of July 2018. ▪ An Economic Concentration Bulletin was issued on 1st of August. 	<p>No action</p>
<p>95.2 Ireland’s Competitiveness Challenge 2018</p> <p>Teodora Corcoran presented on the draft <i>Ireland’s Competitiveness Challenge 2018</i> report. The Challenge builds on the <i>Competitiveness Scorecard 2018</i> report and focuses on actions needed to address medium term concerns and policies necessary to promote sustainable growth. The presentation focused on analysis of three key themes and issues emerging from each themes as follows:</p> <ol style="list-style-type: none"> 1. Ensuring the sustainability of the economic model <ul style="list-style-type: none"> ○ Public Finances – need for sustainable increase in public expenditure without overheating the economy ○ Economic Concentration – Ireland’s share of global exports and services have increased but the export base and range of exported goods is concentrated. Enhancing and diversifying the export base to address the economic concentration with focused programmes to increase the global footprint of Irish enterprise will be essential. ○ Sustainable taxation – Focus is needed on broadening the Irish tax base and developing a tax system that enhances the competitiveness of Irish SMEs and Small Mid-Cap enterprises. ○ Sustainable workforce – as the labour market is approaching full capacity the NCC focus is on marginal tax rates together with targeted policies to attract skilled labour from abroad and increasing/encouraging female participation in the labour force. ○ Pension provision– implement an Auto Enrolment retirement saving system while balancing the competitiveness impacts. ○ Climate action – identify and prioritise cost effective options to close Ireland’s compliance gap. <p>Conclusions - positive economic performance, labour market and public finances continue to improve but a number of medium-term threats, including a range of external uncertainties and domestic challenges remain.</p> <ol style="list-style-type: none"> 2. Maintaining Cost Competitiveness <ul style="list-style-type: none"> ○ Labour Cost – We need to ensure that our labour cost base is in line with productivity developments at sectoral level and not significantly out of line with our competitors across the OECD. 	<p>Secretariat to take on board Member’s comments in the final report</p> <p>Subject to receipt of outstanding comments from Members and advisors, the Challenge was approved</p>

- Residential property – acute shortage is evident. Continued focused needed to ensure the targets set under Rebuilding Ireland Action Plan are met.
- Construction Costs – positive news with new Urban Development and Building Height guideline on the cost of construction but Ireland needs to develop a comprehensive comparative database of costs.
- Water – establish cost recovery based on payment rates that are loosely related to the cost of supply.
- Work life balance – the impact of work life balance initiatives on the cost base of enterprises needs to be evaluated, but welcome this as a measure that might enhance female participation and alleviate childcare costs.
- Insurance – implementation of the Cost of Insurance Working Group’s recommendations noted and recommend regular update of Book of Quantum be undertaken.
- Childcare – roll out the Affordable Childcare Scheme recommended.
- Access to Finance – Need to increase awareness of various Government’s schemes regarding the financing options available to Irish based enterprises.

Conclusions - Ireland’s cost profile remains high and rising. 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. The implications of any new state policies need to be analysed regarding their impact on enterprise cost base before implementation.

3. Bridging the productivity gap between the “best and the rest”

- Bridging the productivity gap that exists between the most productive firms and lagging firms is vital for sustainable growth prospects. A narrow base of exporting enterprises and a narrow range of exported goods and markets exists. Expanding the export base and range of exported products and market destinations and promoting enterprise innovation remains a challenge.
- Ireland needs a National Digital Strategy
- Investment in competitiveness enhancing expenditure is required including digital and physical infrastructure.

Members Inputs

Council Members noted the draft report, discussed the findings and provided comments on the content and key messages, in particular:

- Some debate took place regarding GDP and GNI*. Whilst acknowledging that GDP based data still remains the key for international comparisons (e.g. required for Eurostat). Nevertheless,

it overstates Ireland's competitiveness performance and underplays competitiveness. GNI* better reflects the economic activity in Ireland (e.g. debt/GNI* ratio); debt per capita is third highest in the world.

- References to economic concentration of multinationals should be emphasised in a more positive manner - fruits of MNC's success should be invested to increase productivity in indigenous firms. The eco-system created by MNC's can be highlighted further.
- Concern was raised around describing the economy reaching full employment. More and better quality jobs need to be created in the medium term due to population growth and job losses due to technological advancement. The regional employment situation should be highlighted.
- Concern was expressed that due to the time lapse in official data that current competitiveness issues may not be reflected with the degree of urgency required in relation to talent shortages, housing and costs increases. The competitiveness issues together with tax reforms should be reflected in the preface. Also included should be the forthcoming draft legislation 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 top 3-4 issues to be considered in the Challenge report.
- The shortfall and affordability of residential housing has a negative impact on competitiveness and should be benchmarked against competitors if possible.
- The recommendations should not come across as advocating for certain projects in the NDP.
- The number of recommendations in the Challenge should be reduced and more focused.
- A priority area is to 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, should all be highlighted.
- Members expressed their concern around the issues of quality and the regional availability of high speed broadband services and delays in its roll-out.
- The fall in international rankings and Higher Education and funding issues (no Irish third level college is in the top 100) for higher education were mentioned by a number of members as issues to highlight in the Executive Summary and preface.

<p>Council members were asked to submit any final comments on the draft challenge report directly to the Secretariat by 1 November. 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>Members to submit outstanding recommendations by 1 November</p>
<p>95.3 Discussion on the NCC Productivity Statement 2018</p> <ul style="list-style-type: none"> ▪ Javier Papa presented the NCC's Productivity Statement 2018. <p>Members input</p> <ul style="list-style-type: none"> ○ the need to better highlight the contribution of MNC's to Irish economy and its importance should be addressed in the paper. ○ the need to link the competitiveness challenges like talent, housing and wage pressure with productivity. ○ the changes in US tax policy are significant and will have an impact on decision making of multi-national corporations. 	
<p>95.4 Future Jobs</p> <ul style="list-style-type: none"> ▪ John Newham, DBEI, presented the new Government initiative "Future Jobs 2019". ▪ The chair suggested the NCC members engage at the forthcoming seminar to which they are invited and through the NCC submission to the Future Jobs program. 	
<p>95.5 NCC Work Programme 2019</p> <ul style="list-style-type: none"> ▪ Marie Bourke informed the Council that as per the NCC terms of reference, 3 members will retire from office this year. Secretariat will be in touch with those members. ▪ The Chair delivered a number of presentations in recent months to raise awareness of the NCC research and advocate for its recommendations. 	<p>No action</p>
<p>95.6 Communications Schedule & AOB</p> <ul style="list-style-type: none"> ▪ Marie Bourke informed the members of the dates for 2019 NCC meetings – 7 March, 6 June and 17 Oct 2019. 	<p>The Secretariat will email the dates to the members.</p>