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## Launch of Annual Competitiveness Report and The Competitiveness Challenge

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### Capacity Constraints Seriously Threaten Ireland's Performance - National Competitiveness Council

Despite the outstanding performance of the Irish economy in the last decade, continued success is now dependent on action being taken to deal with a number of threats to Ireland's competitive position, says the National Competitiveness Council, which today (26th May) published both its third annual report and *The Competitiveness Challenge 2000* report, containing a series of recommendations to the Government on action required to maintain and improve competitiveness.

Speaking at the launch of the two reports, the Chairman of the Council, Mr. Brian Patterson, commented that capacity constraints were now "seriously threatening the sustainability of Ireland's economic performance". In listing these constraints, he pointed in particular to skill and labour shortages, inadequate transportation infrastructure and public transport, lack of affordable housing, and gaps in telecommunications infrastructure. The Council remains convinced that the process of Social Partnership is central to the competitiveness of the enterprise sector – and therefore of the economy as a whole. Mr. Patterson also indicated the necessity of long-term investment in education and training, and science and technology.

"The actions required have been identified and broadly agreed", said Mr. Patterson. "What we have to do now is undertake these actions swiftly and successfully. The need for fast integrated implementation has never been more apparent. In order to achieve this, we must develop the capacity of our public sector to respond more quickly." In this context, the Council emphasises the importance of implementing the National Development Plan (NDP) and accelerating the modernisation of the public service through the Strategic Management Initiative.

The recommendations made by the Council in *The Competitiveness Challenge* are presented within the framework of the seven priorities that the Council has identified for its work. These, together with the key recommendations in each case, are as follows:

#### Social Partnership

- The incomes policy developed under social partnership of moderate increases in gross pay accompanied by reductions in taxation should be continued. Pay increases must be linked to productivity increases. More widespread use should be made of profit- and gain-sharing mechanisms.
- Greater emphasis should be given to the development of social partnership at sectoral and enterprise level.
- Urgent action is required to meet the Kyoto restrictions on greenhouse gas emissions.

#### People

- Labour and skills shortages should be eased through an appropriate immigration policy, facilitating the return to work of those who remain unemployed, and further increased female participation in the labour market. Comprehensive and affordable childcare must be made available to ensure equal access to employment for women and to assist their participation.
- Sustained investment in education and training is required in order to achieve the transformation to a high-income, high-productivity economy. A commitment to life-long learning by employers, employees, and training and education providers is necessary for this. The extent and quality of in-company training must be developed.

### Costs

- Given that there is no scope for national monetary and exchange rate policy within EMU, fiscal policy (both public expenditure and taxation) must support the control of inflation.
- The regulation of the energy market should afford a high priority to improving cost competitiveness in the transitional regime to full competition.
- The review of the banking system currently being undertaken by the Minister for Finance should recommend measures to improve the level of competition in the provision of finance to SMEs.
- In order to reduce insurance costs, a compensation board or arbitration system, separate from the courts, should be introduced to decide on compensation in cases where the parties agree to such arbitration as an alternative to expensive and protracted court proceedings.

### Infrastructure

- The National Development Plan (NDP), and particularly projects that make an important contribution to national transportation infrastructure, must be delivered on schedule. In order to achieve this, the key planning provisions in the Planning and Development Bill (1999) must be implemented as soon as possible following enactment. The National Spatial Strategy must also be completed within the timeframe set out by the Government in the NDP.
- The de-regulation of public transport should promote increased quality of service and maximisation of passenger numbers. More efficient use should be made of existing road resources through demand management measures such as road pricing.
- Consideration should urgently be given to the establishment of an executive, over-arching body, reporting directly to the Government, with responsibility for planning and implementation of transport improvements in Dublin, including co-ordination of the activities of agencies involved in providing transport services.
- The Housing Forum established under the *Programme for Prosperity and Fairness* should, as a matter of urgency, make recommendations to the Government on the functioning of the market for development land, the role of local authorities in the provision of services for development land, planning bottlenecks, and obstacles to higher density housing.

### Telecommunications and e-Business

- Highest priority must be given to the rapid and effective

implementation of investment plans for the regional broadband network in order to deliver managed broadband services to all enterprises and to support regional development strategy.

- The development of online provision of services by the public sector should proceed more rapidly.
- A legislative and regulatory framework for electronic intellectual property rights must rapidly be put in place and maintained.
- The Office of the Director of Telecommunications Regulation (ODTR) should promote improved price competitiveness in the Telecom sector. The ODTR must be empowered and resourced to fulfil this role.

### Competition and Regulation

- A consistent and comprehensive legislative and policy framework for regulation should be developed based on agreed principles and objectives.

### Science and Technology

- Structures and mechanisms must be developed to ensure that the very substantial science and technology expenditure under the NDP is both effective and efficient.
- Particular emphasis should be given to strengthening the links between industry and third-level institutions and to improving support for technology transfer.

The National Competitiveness Council was established by Government in May 1997 under the *Partnership 2000* agreement. It reports to the Taoiseach on key competitiveness issues facing the Irish economy and makes recommendations on public policy actions required to enhance Ireland's competitive position. Forfás, the national policy and advisory board for enterprise, trade, science, technology and innovation, provides the Council's secretariat.

Commenting on *The Competitiveness Challenge*, Forfás Chief Executive Officer and Council Member, Mr. John Travers, noted "the report provides a broad but succinct overview of the problems we face and the steps we must take. Our present good performance gives us the opportunity to lay the foundations for continued growth in the future, if we make the right choices".

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Tom O'Dwyer, Press & Communications Manager, Forfas, 01-607 3085.

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