

Urgent action required to support export growth and job creation - NCC

“Urgent action is required to ensure a competitive operating environment for business and to enable exporters to trade successfully in difficult international markets. Improving our export performance and raising productivity across all areas of the economy - including locally and internationally trading sectors and the public services - are the only sustainable strategies for securing long term prosperity and reducing unemployment. Ireland can have a bright future provided we confront the challenges we face and exploit the opportunities for creating a more competitive economy,” said National Competitiveness Council (NCC) chairman Dr Don Thornhill, today at the launch of the NCC’s Annual Competitiveness Report.

This report, *Ireland’s Competitiveness Challenge - Creating a Better Future*, focuses on the national competitiveness issues of most importance to enable our main existing and emerging exporting sectors to compete successfully in international markets and identifies the policy recommendations required to address them.

“While Ireland’s competitiveness has improved during 2009, this to a great extent reflects the sharpness of the recession rather than competitive advantages arising from structural change. Further action is required to improve competitiveness. The speedy implementation of the priority actions identified in this report is as fundamental to Ireland’s future as the steps being taken to address the banking crisis and to arrest the decline in the public finances” , said Dr Thornhill.

The priority policy recommendations identified by the NCC are outlined below:

- **Create Jobs and Tackle Unemployment:** The single biggest challenge for Ireland in 2010 is to create jobs and reduce unemployment. Placing a strong emphasis on skills development is critical to support the competitiveness of existing firms by enhancing their capabilities and increasing productivity growth. It is also essential to keep unemployed workers close to the labour market and help prevent the drift to long term unemployment. The main policy priorities are:
 - Targeting education and training funding to meet the future skills needs of our growth sectors. Important exporting sectors have identified skills deficits in key areas. For example, increased regulation has resulted in a need for specialised compliance skills in the medical technologies, chemicals and pharmaceuticals and international financial services sectors;

- Retaining funding for training those in employment, particularly those with low skills in low productivity or vulnerable sectors, remains critical, in spite of the significant pressure to shift investment towards those who have lost their jobs;
 - Ensuring that existing labour market interventions are appropriate to the new challenges as the skills development needs of the newly unemployed are more diverse than in the past (e.g. construction workers, professionals). While recent increases in the number of activation and training places are welcome, the nature and quality of the retraining options available remain an issue; and
 - Fostering innovation at all levels of economic activity and prioritising publicly funded R&D programmes which have strong industry relevance and participation as well as sustaining Ireland's increasingly good reputation for research quality.

- **Reduce the Costs of Doing Business:** The costs of doing business in Ireland must fall relative to our trading partners. The priority actions include:
 - Limited competition in locally traded sectors of the economy, particularly in the professions, has serious implications for the costs of doing business in Ireland. We need to drive competition in these sectors, in particular through the effective implementation of Competition Authority recommendations. In addition, the State should use its purchasing power to exert downward pressure on professional fees;
 - The price of land and property in Ireland needs to adjust to the levels justified by their underlying potential for adding value or earning rent. The tax treatment of property should also be changed to limit future housing boom and bust cycles, in particular, the proposal to introduce an annual value based property tax should be advanced quickly. Falling land and property prices do not reduce the necessity for structural change in respect of land planning;
 - High utility costs in Ireland are damaging the competitiveness of important exporting sectors like food, ICT hardware and engineering. Recent energy price reductions were necessary but are not sufficient. Further actions are required such as phasing out price supports for renewable energy as the technology matures and deployment increases;
 - In the waste sector, planned increases in the landfill levy should not be implemented until alternative cost effective waste treatment options are available; and
 - Careful consideration needs to be given to freezing and, where possible, reducing local authority commercial rates.

- **Prioritise Infrastructure Investment to Support Enterprise:** Reducing capital expenditure to maintain current expenditure will not help long term competitiveness. However, clear prioritisation and lower cost delivery can offset some of the impact of reduced budgets. The priorities include the following:
 - It is vital that the infrastructure projects likely to have greatest impact in terms of attracting overseas investment and supporting firms in Ireland to compete successfully are front-loaded. Given the central role that Dublin and our other main cities play in driving national competitiveness, the re-prioritisation of capital expenditure should focus resources on their development;

- In particular, access to high quality, resilient and competitively priced advanced broadband in key regional centres is required to support the smart economy and to enable our main exporting sectors (e.g. ICT, medical technologies, financial services, tourism, international education services) to retain current levels of trading and to enable them to exploit future growth opportunities. Ireland's limited capital budget notwithstanding, Government has a central role to play in developing Ireland's advanced broadband network;
 - There is also significant scope for Government to improve infrastructure capacity and services without the need for Exchequer investment. Addressing specific policy and regulatory barriers can promote more efficient State investment (e.g. the establishment of a national water authority) and greater private sector investment (e.g. greater regulatory certainty in the waste market).
- **Tackle the Macro Issues:** Continued action is required to ensure credit is channelled to viable businesses and to restore the sustainability of the public finances. The NCC believes that broadening the tax base is central to repairing the public finances. In the absence of measures to broaden the tax base, taxes on income would inevitably have to rise further in the future. Higher taxes on income are a disincentive to people to remain in or return to the labour market. The NCC welcomes the introduction of a carbon tax in Budget 2010 and the proposals to introduce a property tax and water charges for domestic users.

The full report is available for download from the NCC's website, www.competitiveness.ie

ENDS

Note to Editors:

In December the NCC published *Driving Export Growth: Statement on Sectoral Competitiveness*, which identified the critical competitiveness issues for each of the main existing and emerging export sectors and the sector specific policy actions required to address them. These included a number of issues that are common across many or all sectors such as improving cost competitiveness and growing productivity and sustaining investment in the productive sectors of the economy.

About the NCC

The NCC reports to the Taoiseach on key competitiveness issues for the Irish economy and makes recommendations on policy actions required to enhance Ireland's competitive position Forfás provides the Council's secretariat.
www.competitiveness.ie