

To Support Competitiveness, Ireland must Address Energy Costs, Increase Essential Capital Expenditures and Rebuild Public Trust in Institutions

National Competitiveness Council (NCC) Publishes its Submission to Action Plan for Jobs 2015

The NCC today (13th January 2015) published its submission to the Action Plan for Jobs 2015. Council has identified a range of short term actions to support competitiveness and improve the environment for job creation. These build on the analysis in both the *Competitiveness Scorecard* and *Competitiveness Challenge* reports previously published by the NCC.

Speaking at the release of the Council's submission, Dr Don Thornhill, chair of the NCC drew particular attention to three of the areas addressed in the detailed submission.

1. Energy costs

Dr Thornhill said that "the recent decline in oil prices should be positive for economic prospects both nationally and internationally. However, Irish exporters have to contend with higher than international average electricity prices because of, amongst other things, the additional charges imposed under to the public services obligation (PSO) which is a subsidy paid by electricity users in order to fund electricity generation from peat and renewables. Paradoxically, falling oil prices have the effect of increasing the proportionate impact of the anti-competitiveness cost wedge imposed by the PSO". He called for action to address this challenge.

2. Public capital expenditure.

Dr Thornhill said "the availability of competitively priced world-class infrastructure, particularly energy, telecoms, transport and water infrastructure, is an absolutely essential element of Ireland's competitiveness offering. It directly impacts upon our ability to compete internationally for investment and trade. Unfortunately, the recession necessitated dramatic cuts in the public capital programme. The Council believe, however, that the time is now right to reverse some of the cuts to the capital budget made in recent years by focusing on infrastructural expenditures which are urgently needed. If we are to keep pace with our competitors, we must invest, and the Council are calling for an increase in capital expenditure to a level that at least matches the level in competitor countries at a similar level of infrastructural development".

3. Restoring trust – expanding the resources available to the Data Protection Commissioner is welcome.

Dr Thornhill noted that "A reputation as a secure and responsible location in which to do business is central to competitiveness. This applies particularly in the area of data protection. Given Ireland's drive to be at the forefront of the big data revolution, it is absolutely essential that we maintain a best-in-class data protection regime. I welcome the recent commitment to expand the resources of the Data Protection Commissioner and the announcement of the opening of a Dublin office".

"The issue of trust, however, extends well beyond the protection of personal data and affects every individual resident in Ireland to a greater or lesser extent. Unfortunately, many of the difficulties of the last few years have arisen to one degree or another through the failure of individuals and organisations to live up to the expectations of citizens. Trust really matters for competitiveness - countries with high levels of trust are better placed to manage economic and social change and to achieve societal goals without excessive regulation. They also tend to experience higher levels of wellbeing. It is essential that we, as a society respond to these failures of the past and rebuild the trust of citizens in the ability and willingness of public and private bodies in Ireland to adhere to the highest international standards".

Finally, Dr Thornhill welcomed the fact that “The Action Plan for Jobs recognises the fundamental link between competitiveness and job creation. In this regard, the National Competitiveness Council is delighted to contribute to its development through this submission”.

Recommendations

1. The Cabinet Committee on Jobs and Economic Recovery should continue to monitor progress on competitiveness issues identified by the National Competitiveness Council. In this regard, the Council’s annual reports should be brought to the Cabinet Committee for noting, and the Chairman of the Council should present to the Cabinet Committee on an annual basis.

Cost of Doing Business

2. Subject to a successful pilot, the Housing Assistance Payment scheme (HAP) should be rolled out nationally in 2015.
3. Continue to review social welfare supports to ensure that (a) part time workers have a financial incentive to avail of full time employment opportunities; and (b) receipt of secondary benefits does not impede employment take-up.
4. The 2015 White Paper on Energy should address the range of concerns expressed in the recently published Competitiveness Challenge 2014 report. In particular, actions are required to address the controllable cost components of energy costs in Ireland.
5. Actions are required to reduce energy use and lower peak demand.
6. The feasibility of introducing a site-value tax for commercial property to replace the current system of commercial rates should be explored in 2015. This should occur at part of the planned consultation on the hording of zoned land.
7. Implement Construction 2020, A Strategy for a Renewed Construction Sector. In particular, the development of a national planning framework, the publication of the general scheme of a Planning Bill, and the proposed Policy Statement on Planning are key milestones.
8. A whole of Government approach is required to ensure that appropriate policies are implemented to avoid the creation of future sustained property bubbles.
9. In the interests of transparency, the Government should consider publishing the most recent advice from the Attorney General on the issue of upward only rent reviews, as well as any other relevant inputs received on the potential impact of their abolition.

Macroeconomic Stability and Public Investment

10. The forthcoming capital review should strive to ensure that capital expenditure (as a percentage of GDP) mirrors that in competitor countries that are at a similar stage of infrastructural development.

11. It would be welcome if the Council's infrastructure priorities (water, telecommunications, social housing, urban transport, energy and waste infrastructure) were reflected in APJ 2015 and in the forthcoming Capital Review strategy. These priorities reflect those areas that can have the most significant impact on competitiveness

12. Subject to the results of a cost-benefit analysis, the introduction of a broad based, sustainable knowledge development box which supports investment and real job creation should be a key goal in APJ 2015.

Developing the Skills Base

13. In relation to Further Education and Training (FET), robust local and regional structures must be developed to facilitate employer (and other stakeholders as appropriate) participation in the identification of the required skills, the development of relevant curricula, selection of candidates and the provision of sufficient internship and traineeship opportunities as appropriate. It is essential that the details of these national, regional and local structures are clearly communicated to industry.

14. FET (including apprenticeships) must be seen as an attractive option leading to rewarding career opportunities and progression options (to additional further education and training, and higher education) over the span of an individual's working life. In this regard, the comprehensive communications campaign proposed in the strategy should be advanced in 2015.

15. As well as putting in place arrangements to facilitate high level strategic cooperation between SOLAS and 'Intreo' about the design of relevant FET provision and referral arrangements, local protocols should be developed to provide seamless linkages between 'Intreo' offices and local ETBs. Career Guidance (i.e. appropriate and effective matching of learners and programmes) is a particularly important element of successful activation.

16. All labour market programmes should be evaluated on a regular basis with resources focused on those programmes proven to deliver on their objectives, and with direct relevance to the labour market.

17. Information on progression paths from further education and training courses should be collected, utilised (e.g. to shape future courses) and disseminated to learners and employers to promote engagement.

18. The development of new apprenticeships in key sectors such as modern manufacturing, engineering, transport and logistics, wholesale and retail, and hospitality (i.e. sectors which demonstrate active employer engagement, are large employers and/or experiencing high replacement demand) should be prioritised.

19. Employers and their representative bodies need to prepare for the National Apprenticeship Council's forthcoming call for proposals, identifying those skills needs which can best be met through the development of new apprenticeships.

Developing the Enterprise Base

20. The Department of Finance should continue to monitor Ireland's comparative tax offering. Specifically, APJ 2015 should contain a commitment to benchmark the competitiveness of Ireland's enterprise tax offering as it relates to indigenous exporting firms.

21. The finalisation of the national foreign languages strategy should be expedited, and should provide an integrated and coherent approach to foreign language teaching in all learning contexts. In particular, the domestic supply of

modern foreign language skills at third level should be scaled up, reflecting the needs of enterprise, i.e. German, French, Spanish, Italian and emerging market languages such as Mandarin Chinese, Japanese, Russian and Arabic.

22. To increase ICT skills output, continued implementation of the ICT Action Plan remains a priority, and in this regard, expansion in both the supply of third level places on enterprise relevant ICT courses, and demand for such courses amongst learners is required.

23. Aggressively implement measures required to achieve the potential of the tourism sector to grow employment by 50,000 over the next decade, including in the areas of air and sea access, skills development and training and experience development.

24. A continuing focus on developing greater linkages between indigenous and foreign owned firms should be progressed in the 2015 plan.

25. The enactment of the Legal Services Bill should be expedited. As well as addressing regulatory and accountability concerns, it is important that the Bill include provisions to facilitate greater competition. In this regard, any review of proposed measures to allow for the creation of multidisciplinary practices should be prioritised.

26. Government should re-commit to the EU's Europe 2020 research intensity target of investing 2.5 per cent of GDP (2 per cent of GNP). It is also essential, not only that this spend continues to be focused on identified priority areas of national potential, but that implementation of the 13 systemic recommendations to improve the efficiency and efficacy of the public RDI funding system continues.

27. Ireland should maximise drawdown from available funding sources such as the European Framework Programme for Research and Innovation 2014 – 2020. This will require working closely with industry to ensure collaborative funding, in particular working with the multi-national sector which, under previous Framework programmes, has been under-represented in terms of participation rates.

28. The implementation of the National Entrepreneurship Policy Statement should be prioritised.

29. Continue to monitor Ireland's entrepreneurship and administrative burden performance in international benchmarking studies such as the World Bank and actively pursue reform in areas of identified weakness.

30. The procurement system should be aligned to the Government's policy goals and priorities, and not just focus on reducing costs. Other stated government objectives such as supporting jobs, innovation and economic growth should also be considered when planning procurement strategy. An economy-wide understanding of what constitutes value for money should balance cost savings with economic impact.

31. In order to enhance SME access and participation in procurement, public procurement policy should aim to ensure that as many firms as possible are provided with an opportunity to compete for public contracts. Putting the guidelines contained in Circular 10/14 into practice is of paramount importance in this regard.

Finance for Growth

32. There is a need to continue to monitor bank lending carefully, particularly as the economy returns to growth and demand for funding increases. A particular focus is required on the SME and manufacturing sectors where potential deficits have been identified. In regard to the SBCI, it is important that final flow of credit to SMEs is tracked and to ensure that it channels additional funding for SMEs.

33. A pro-active focus on legacy debt and loan restructuring is important.
34. A move towards a banking system with a deeper understanding of innovative sectors (e.g. software, telecoms, digital content, med-tech and life sciences) and a pro-active overseas banking network is required. There needs to be a focus on supporting internationally trading businesses in terms of both the provision of credit and the bank facilities/products (e.g., international invoice discounting, performance bonds and specialised leasing, etc.). Proposals to examine export finance initiatives are welcome.
35. A continuing focus on upgrading skills levels within the banks and financial skills in the wider business sector is important.
36. Potential exists to review the wide range of initiatives that have been put in place in recent years and to build greater links between individual initiatives.
37. There is strong potential for the State to provide a supporting environment (e.g. seed funding, regulation, etc.) to alternative sources of finance such as peer-to-peer lending.

Social Capital, Corporate Governance and Data Protection

38. It is important that the National Plan on Corporate Social Responsibility is implemented and that data is collected to support the planned review in 2016.
39. The completion of the White Paper on Crime and plans to give effect to that policy should be prioritised. It is important that the White Paper includes proposals to address the issues raised as part of the consultation on white-collar crime.
40. The Council recommends that listed companies be required to provide more transparent and detailed information justifying any departure from the Corporate Governance Code (where applicable).
41. In the context of the European Commission's ongoing work on corporate governance, a study should be conducted to examine the role and composition of Boards of Directors and to develop actions to make them more effective and responsive to stakeholder interests.
42. The Office of the Data Protection Commission needs to be resourced in a manner that ensures effective and efficient enforcement of data protection regulations, and at a level that supports Ireland's ambition to become a leading European data analytics centre.
43. To secure and enhance our international reputation, a benchmarking exercise should be conducted to assess the competitiveness of Ireland's data protection regime vis-à-vis regimes in key competitors.

ENDS

The full report is available at www.competitiveness.ie

For further information contact:

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About the NCC

The NCC reports to Government on key competitiveness issues for the Irish economy and makes recommendations on policy actions required to enhance Ireland's competitive position.

The Minister for Jobs, Enterprise and Innovation announced new membership of the National Competitiveness Council in May 2013 and mandated the Council to develop actions on competitiveness for implementation through the Action Plan structure. The members of the Council are:

- Dr Don Thornhill, Chair, National Competitiveness Council
- Liam Casey, Chief Executive Officer, PCH International Ltd.
- Prof. Peter Clinch, Jean Monnet Professor of European Economics and Professor of Public Policy, University College Dublin
- Shay Cody, General Secretary, IMPACT Trade Union
- Clare Dunne, Assistant Secretary, DJEI
- Isolde Goggin, Chairperson, Competition Authority
- John Herlihy, Vice President, International SMB Sales and Head of Google Ireland
- Danny McCoy, Chief Executive Officer, Ibec
- Jane Magnier, Joint Managing Director, Abbey Tours
- Seán O'Driscoll, Chairman and Chief Executive Officer, Glen Dimplex Group
- Louise Phelan, Vice President of Global Operations, Europe Middle East and Africa, PayPal
- Heather Reynolds, Director, Eishtec
- Dave Shanahan, Head of Strategic Health Initiatives Worldwide, AbbVie
- Paul Sweeney, Former Chief Economist, ICTU
- Ian Talbot, Chief Executive, Chambers Ireland
- Siobhán Talbot, Group Managing Director, Glanbia

Representatives from the Departments of the Taoiseach, Agriculture, Food and the Marine, Communications, Energy and Natural Resources, Education and Skills, Environment, Community and Local Government, Finance, Justice and Equality, Public Expenditure and Reform, Transport, Tourism and Sport attend Council meetings in an advisory capacity.

The work of the NCC is underpinned by research and analysis undertaken by the Strategic Policy Division, Department of Jobs, Enterprise and Innovation.