

We cannot afford a defeatist attitude about our future prospects: Ireland must focus on the policies which improve competitiveness - NCC

“Now is the time to focus our attention on policies that will enhance our competitiveness and provide for sustainable economic growth,” said National Competitiveness Council (NCC) chairman Dr Don Thornhill, today at the launch of the NCC’s Annual Competitiveness Report.

“It is essential that Ireland quickly finalises and implements a widely supported programme to restore competitiveness. There is no place for pessimism or defeatism about the future. Economic decline is not inevitable, but our economic circumstances are serious and challenging. Future success and prosperity will only be achieved if we apply ourselves to implementing the necessary policies to provide a competitive operating environment for Irish enterprises – particularly those which export,” advised Dr Thornhill.

The Competitiveness Challenge Report, underpinned by a detailed competitiveness benchmarking analysis¹, identifies the key competitiveness challenges facing enterprise in Ireland and sets out clear policy actions that can help restore Ireland’s competitiveness. The NCC recommendations are grouped under four key policy headings.

Restoring Fiscal Sustainability

Ireland faces harsh new fiscal realities. The deterioration of the public finances is both rapid and alarming. It is vital to strike a balance between difficult decisions on controlling current expenditure; broadening the tax base; and introducing transparent user charges where appropriate – while also meeting the challenge of delivering better public services with fewer resources. In this context, the NCC supports:

- Maintaining our competitive tax wedge² on labour and making Ireland a more attractive location for purchasing and managing of intangible assets.
- Further steps towards the introduction of a recurring tax on property and moving away from stamp duties which are a tax on transactions and act as an obstacle to freeing up the property market. This would benefit the economy and increase the predictability of tax revenues.

¹ Benchmarking Ireland’s Performance uses over 140 indicators to assess Ireland’s competitiveness performance against a wide range of competing economies.

² The tax wedge is the ratio of total labour taxes to total labour costs. A low wedge is a pro-employment incentive for both employers and job-seekers.

- Continued investment to address infrastructural deficits – even in the context of a slowdown in current expenditure. However, a rigorous process of prioritisation of public capital expenditure is required, based on demonstrable returns on investment and ensuring that those critical to supporting a return to export-led growth are given priority.
- The NCC is particularly concerned that Ireland benefits from timely rollout of next generation broadband infrastructure and services and believes this will require well-considered State interventions.

Restoring Costs Competitiveness

A key challenge for the Irish economy is the decline in Ireland's cost competitiveness:

- High energy costs are a key concern for businesses. Climate change should be a central concern of public policy and care is required to ensure that measures to meet environmental targets do not weaken our relative energy cost competitiveness further, and that regulation is effective in managing controllable energy costs. Recovery of the carbon windfall from generators to energy users should continue.
- Greater competition in sheltered sectors of the economy including the professions, waste management and retail and distribution and implementing the recommendations of the Competition Authority on reducing barriers to entry to markets.
- Scope exists to leverage the Government's support of financial institutions, to ensure lenders make available adequate and affordable capital to businesses.

Achieving Public Services Reform

The efficiency of the delivery of public services is an important part of overall competitiveness of the economy. A high level of integration in policy formulation and implementation across Government is now required to meet objectives such as improving competitiveness, achieving a low carbon economy and building a knowledge economy. The challenge for the public service is to deliver better services with fewer resources.

Positioning for Recovery

It is essential that we do not lose focus on the factors that will drive our long-term competitiveness. The future supply of a highly educated workforce, equipped with skills that are aligned with business needs, is an important factor for recovery. Our future success is equally dependent on how we respond to the issues of energy security and climate change.

Education

As with the broader public service, the education system needs to achieve more with fewer resources. Key NCC priorities include:

- A strong focus is required on improving mathematics, science and ICT skills. Further efforts are required to increase the quality and time spent teaching these subjects in Irish schools; to address the perceived disadvantages to studying higher level mathematics at Leaving Certificate level; and to improve the learning environment for

science education, including the quality of science laboratories. Despite the harsh fiscal climate, the NCC believes that the delivery of the Strategy for ICT in Schools is critical.

- The establishment of a system of pre-primary education should be a key medium-term priority.
- In schools, teacher quality is more effective than reducing the teacher-pupil ratio in achieving good student learning outcomes. Giving priority to teacher professional development is essential.

Securing Our Energy Supply

Ireland remains particularly exposed to rising international oil and gas prices due to our dependence on imported fossil fuels:

- There is a need for a comprehensive review of all available energy sources to determine Ireland's future fuel mix. The review should focus on reducing our very high dependence on imported fossil fuels and improving our cost competitiveness and security of supply. The Council proposes an expert review of Ireland's future energy mix – including a technical study on the feasibility of nuclear energy.

Moving Towards a Low Carbon Economy

Much of the focus on emissions reduction has fallen on the electricity generation and industrial sectors, however agriculture and transport are together responsible for 47 percent of total greenhouse gas emissions:

- Road transport accounts for 97 percent of transport emissions. Fiscal instruments, such as road pricing (congestion charging) and higher parking charges may have a role in reducing private commuting and greenhouse gas emissions.
- Better land-use planning can play a key role in terms of supporting sustainability and competitiveness, including through achieving higher residential densities.
- Improving energy efficiency will require the development of new skills sets in terms of the design, building and operation of more energy efficient systems. The downturn in the construction sector provides an opportunity to train/retain people to take advantage of these opportunities.