

A Blueprint for Ireland's Recovery

March 2011

The following are the members of the group who produced this paper

Angela Kerins, (co-chair)

Philip Lynch (co-chair)

Michael Berkery

John Bruton

Leslie Buckley

Pat Cox

Dermot Desmond

Frank Flannery

Ray MacSharry

Denis O'Brien

Sean O'Driscoll

Michael O'Flynn

Mike Soden

Michael Somers

Dick Spring

Peter Sutherland

Brendan Tuohy

Contents

I)	Introduction	Page 3
II)	Executive Summary	Page 3
III)	Predicted Outcomes	Page 7
IV)	Reviewing and Measuring progress	Page 9

Section I – Renewing Enterprise and Employment	Page 11
---	---------

1.1	FOCUS ON IRELAND'S GROWTH SECTORS	Page 12
1.1.1	Importance of FDI and emerging economies	Page 12
1.1.2	Action to boost tourism	Page 13
1.1.3	Grow and green our food industry	Page 14
1.1.4	Reinvigorate our manufacturing sector	Page 14
1.1.5	Supporting our SMEs	Page 16
1.1.6	Health LifeSciences	Page 16
1.1.7	Retaining and growing our ICT Sector	Page 17
1.2	MAKE IRELAND THE MOST COMPETITIVE ECONOMY IN EUROZONE BY 2016	Page 18
1.2.1	Reduce costs of state services to business	Page 19
1.2.2	Review and address cost to industry of regulation	Page 19
1.3	EFFICIENT STRUCTURES TO SUPPORT INVESTMENT	Page 19
1.3.1	The energy challenge	Page 19
1.3.2	Delivering high quality and market led education and training	Page 20
1.3.3	A more efficient and robust welfare system	Page 22
1.3.4	Stimulating the construction and property sector	Page 22

Content continued

Section 2 – Reforming Ireland’s Public Services	Page 25
2.1 ESTABLISH TWO COMMISSIONS 1) OIREACHTAS AND ELECTORAL RE FORM AND 2) REVIEW OF PUBLIC SERVICE AND LOCAL GOVERNMENT	Page 26
2.1.1 Electoral Reform	Page 27
2.1.2 Local Government	Page 27
2.1.3 Oireachtas Reform	Page 27
2.1.4 A revamped Public Service and more efficient delivery of public services	Page 28
2.2 COMMERCIAL STATE AGENCIES NEED TO BE REVIEWED	Page 30
2.3 THE ROLE AND NEED FOR QUANGOS	Page 30
2.4 ADVISORY BOARDS	Page 30
Section 3 – Re-Engineering Banking and Finance	Page 31
3.1 DEALING WITH THE ECB, IMF AND EU	Page 31
3.1.1 Collaboration is required with ECB and EU partners to develop a long-term bond market	Page 31
3.2 GETTING CAPITAL FLOWING TO BUSINESS	Page 31
3.2.1 A guarantee programme for SME borrowing	Page 31
3.2.2 Sale of Irish banks	Page 32
3.2.3 Protecting home owners	Page 32
3.3 MAKING NAMA WORK	Page 32
3.3.1 Defining the role of NAMA	Page 32
Section 4 – Restoring Confidence and Reputation	Page 35
4.1 COMMUNICATING GOOD NEWS ABROAD	Page 35
4.1.1 A positive investor relations strategy	Page 35
4.1.2 Communicating good economic news	Page 35
4.2 COMMUNICATING WITH OUR CITIZENS	Page 36
4.2.1 More balanced media coverage	Page 36
4.2.2 Engaging with the public	Page 36

A BLUEPRINT FOR IRELAND'S RECOVERY

I) Introduction

Ireland is in the midst of an unprecedented economic crisis. It is also in the midst of a serious governance crisis. Confidence in the governance structures of the country has been undermined.

Trust in the regulatory system, the political system and public administration has been damaged severely. There is widespread public anger at these failures.

Ireland's international reputation has also been damaged. This is a matter of grave concern, and should be cause for immediate action and a wake up call to all of us.

The group of people behind this initiative fully recognise that without a thriving economy it is impossible to create an equal and fair society. The immediate challenge is to create a "can-do" and "must do" ethos in Ireland.

The goal must be to stimulate the economy and create jobs and thus build a fair and just society.

Therefore, while this document focuses on creating the conditions needed to generate specified economic objectives, there is also a clear recognition that a holistic approach needs to be taken to advance recovery, one which embraces the values of our society, including social protection of the most vulnerable, equality of opportunity, freedom of choice, diversity and fairness.

II) EXECUTIVE SUMMARY

This paper is the result of a group who came together, out of a sense of deep concern about the challenges that Ireland is now facing, to explore opportunities, identify barriers and put forward practical solutions. The target is to generate a sustainable economy by delivering on a number of objectives including:

- Rebuild the Irish economy and generate sufficient sustainable employment to satisfy the requirements of the population;
- Re-engineer the Banking and Finance Sector and get it working effectively;
- Radically overhaul the political system and the public service in order to create governance structures that are efficient and effective and work in the best interests of all of the citizens of the country;
- Reform the public services in order to ensure that the requirements of a modern developed economy are satisfied and that effectiveness and value for money become the guiding principles in the delivery of public services;
- Restore confidence in Ireland both at home and abroad and repair the tarnished reputation of the country;
- Review progress quarterly by setting clear targets in each area and make individuals accountable for full implementation of the programme;

The proposals listed here are not exhaustive but are offered to help remedy the serious deficiencies in the economic and governance structures of the country. In making these proposals, the Group wishes to demonstrate its willingness to make its contribution to achieve all of the objectives set out here.

The incoming government will require an action plan with key performance indicators set down in advance that are measured quarterly and that results are published. Measuring performance will be essential to meaningful progress.

The document is presented in four sections, with key recommendations detailed in the relevant section, as summarised overleaf.

1. Renewing Enterprise and Employment

Ireland needs to focus on those sectors capable of delivering growth both in the area of foreign direct investment and indigenous industry with the ultimate objective of boosting employment growth.

There is significant growth potential in the areas of Life Sciences, medical devices and the ICT and creative industry sector. Sectors such as manufacturing, food, green technology and tourism are capable of growing and as they are employment intensive sectors, merit particular attention.

Ireland can and must become the most competitive Eurozone country by 2016. We need to continue to drive down payroll and non-payroll costs through greater efficiency. Two dedicated ministers should be appointed: a Minister for Competitiveness to drive the economic programme and a Minister for Public Service Reform who should ideally not be members of Dáil Éireann and could be appointed through the Seanad. The Minister for Public Service Reform would be the chief operations officer for the government. Specific key performance indicators should be set and measured regularly and heard in open forum before two specific Joint Oireachtas Committees on Competitiveness and Public Service Reform.

The government must do everything in its power to foster growth including:

- Ireland should promote start-up SMEs by providing with exemptions from Corporation Tax and PRSI in their first three years.
- Target Emerging Markets and companies in South East Asia and strengthen the IDA, Enterprise Ireland and Tourism Ireland presence in these markets with a target of 20% of FDI by 2015 from this region.
- Introduce new intellectual property (I.P.) legislation to foster investment in R&D.
- Introduce a new graduate internship programme aimed at placing ten graduate interns in each major company with an overall target of 10,000 internships.
- Create a central LifeSciences access office jointly in the Health Services Executive (HSE) and Science Foundation Ireland (SFI) to facilitate interaction between clinicians and LifeScience companies.
- Facilitate collaborative LifeScience research through a Health Information Bill.
- Develop and implement a national policy on bio-banking.
- Review our structures of third level institutions to ensure that Ireland has a university of world standing.
- Reduce cost of access to Ireland by selling our airports and ports to operators on condition they significantly reduce access cost.
- Ensure we have more diverse and secure energy supplies including tidal, wave and wind and examine the value of fourth generation nuclear. Effective competition in the energy market is also essential.
- Restructure local government and drastically reduce commercial rates costs to business.
- Reduce the cost of regulation and government services to business.
- Commence work on all shovel-ready construction projects.
- Examine incentives for major buildings for companies wishing to headquarter in Ireland and ensure we have sufficient and efficient facilities for inward investing companies.
- The new Minister in the Department of Enterprise and Employment should have the title and portfolio of Minister for Business and Job Creation.
- A retrofit scheme targeting older housing stock supply.
- Expedite plans to secure long term supplies of clean water to homes and industry.

2. Re-Engineering Banking and Finance

Ireland needs to adopt a multilateral and a Europe wide approach to resolving long term funding issues. We need to engage with our European partners and ensure a team of senior people is in place at political and civil service levels to effectively interface with our European colleagues.

One of the objectives of our long term strategy should be the creation of a true long term bond market and there needs to be a linkage between economic growth and the costs of funds from both the IMF and the EU.

The structure of our banking sector needs to be addressed as a matter of priority. Our two main banks need a fresh impetus by being sold and they are now close to a position that will attract interest from global financial institutions. There should be a clear process and six month timeline set on any sale of our two main banks.

The government should also be the catalyst to create a third force in banking.

A guarantee scheme for small business is an urgent priority and should not be limited to certain categories of businesses.

3. Restoring Ireland's tarnished reputation

Ireland's reputation has been damaged over the last two years. A global communications campaign designed to address these issues needs to be urgently implemented by a new government in collaboration with business, the IDA, Enterprise Ireland and Tourism Ireland. Key influential members of the diaspora should be enlisted and kept up to date weekly on developments so that they can comment and influence opinion around the globe.

Ireland must actively engage with our European partners in a constructive and positive fashion. This must be led by a dedicated senior team of Ministers. The European Union is central to our economic and financial future success and we need to proactively communicate with all of the institutions on a regular and systematic basis.

It is imperative that Ireland's economic partners around the globe understand that Ireland is getting back on its feet, that Ireland is open for business and that there never was a better time to invest in Ireland. One of the first things that a new Minister for Business and Jobs must do is to engage with the senior management of the top 100 companies who have invested significantly in Ireland, both foreign and domestic. Modern communications technology can be used to carry out this task expeditiously.

It is essential that the Irish public are engaged in any process of rebuilding. There is evidence at ground level of initiatives being taken by communities. This level of activity can be built on to help turn the country around.

4. Reforming Ireland's Public Services and Making Government More Efficient

Many deficiencies in how our country is governed, about the lack of vigilance and oversight in our Oireachtas, public service, government and regulatory agencies have been exposed in this current crisis.

There needs to be two statutory commissions established within three months of the election of the Government to address two concerns, first, improving our Oireachtas and the electoral system and second, reforming the public service and local government.

These commissions should be resourced with the necessary external expertise, consult widely and report back within twelve months with their recommendations.

There are four main areas of concern:

1. Ensuring we have a modernised electoral system that attracts talented people into politics and ensures that our politicians are primarily good policy makers and legislators.

2. Ensuring that we have an Oireachtas that is efficient, vigilant, not dominated by the government and keeps the government accountable.
3. The need for a completely revamped structure of local government organised on a regional basis.
4. Ensuring that we have a modern and fit for purpose public service, plus more efficient and effective delivery of public services.

Each government department should have an Advisory Board to advise on policy and its impact, to assist with advice on delivery of a policy programme and to help monitor progress.

Careful consideration is needed of the future role of semi-state companies. The sale of these should be considered but on condition that such a sale will have overall strategic benefits for the economy e.g. reduced costs and improved service.

The Special Group on Public Service Numbers and Expenditure Programmes (McCarthy Report) began a review of state agencies and quangos. There should now be a more root and branch review of these agencies based on the principle that they should only exist where they have a specific purpose and their existence should be reviewed annually. There should be strict criteria based on expertise and experience for membership of any state board.

The public must be consulted from the beginning about any changes to our electoral system and about their ideas and suggestions about how to improve how the country is governed.

III) PREDICTED OUTCOMES

The Group responsible for this policy paper believe that if the suggested measures were introduced the economic impact could be very significant. Some of the suggested measures could be effected immediately, while others would require a longer timeframe due to legal and practical issues.

If implemented, these measures would help create new businesses, help existing firms grow, generate employment and contribute to rebalancing the Exchequer finances.

Between the third quarter of 2008 and the third quarter of 2010 the level of employment in the Irish economy fell from 2.1 million to 1.85 million, representing a decline of 255,600 in total employment. It is envisaged that public sector employment is set to decline by a minimum of 30,000 over the lifetime of the next government as the process of public sector reform is implemented. Therefore the onus of sustainable job creation will fall on the private sector. The objective should be to seek to return private sector employment towards the levels that prevailed in 2008.

The key impact of this plan would be a significant boost to the economy and the impact that would have on job creation. This in turn would have a significant impact by reducing social welfare payments by some €5.5 billion annually.

The starting point for any review of public expenditure must be the report of the Special Group on Public Service Numbers and Expenditure Programmes, the McCarthy Report. The recommendations of this report come to a full year total of some €5.3 billion with a reduction of some 17,300 in public service numbers.

Further savings are possible in two specific areas. A drive to efficiency and elimination of fraud would generate an estimated €2.1 billion in savings or 10% of the €21 billion Social Welfare Budget. Ireland is home to some of the leading outsourcing companies in the world and we should examine how new technology such as ICT and biometrics could be used widely in public administration. Cooperation between agencies of state could also help deliver services better. The group estimates that a saving of some €1.5 billion by radical restructuring and eliminating duplication in our local authorities is achievable.

The estimate for the impact of this plan alone is a reduction of some €9.1 billion on top of the savings of €5.3 billion identified in the McCarthy Report.

This would help restore our public finances to a healthy state.

The proposed measures in this blueprint, if implemented, could have the following impact over a five-year time frame:

- The creation of 200,000 jobs by 2015.
- The injection of €7.3 billion per annum in wages into the economy.
- Increased tax revenues of €2.0 billion per annum.
- A reduction of €5.5 billion per annum in reduced social welfare expenditure.
- The achievement of savings of €5.3 billion through the implementation of the McCarthy Report recommendations.
- A further reduction of €3.6 billion per annum through restructuring local government and a tightening in welfare expenditure.
- The achievement of annual economic growth of 5% by 2015.
- The ending of forced emigration.
- The restoration of Ireland's reputation as a great place to do business and a great place to live in and visit.

A Blueprint For Ireland's Recovery - March 2011

The economy can be re-invigorated, confidence can be restored both at home and abroad and Ireland can work its way out of this economic morass. The primary objective is to grow the economy and increase employment by creating the right conditions for enterprise to thrive.

Ireland needs a new beginning. Ireland needs to draw a line in the sand, build a new sustainable economy and a fair society. The group does not believe that it has a monopoly on good ideas. The group wants this paper to be a call to action to engage with all members of society to ascertain their ideas and contributions as it is only together we can rebuild a country of which we can all be proud.

IV) REVIEWING AND MEASURING PROGRESS

A new attitude is needed, one based on a “can do, must do and obliged to do” mind set. It is time to get serious; the time for talking is over - we now need urgent action. The new government should undertake the following actions:

- Appoint a Minister for Public Service Reform, to act as chief operations officer. Ideally this person should not be a T.D. and could be done via Seanad Eireann. The sole role of this person would be to ensure that key performance indicators are set and achieved. The Minister should chair a weekly meeting of Secretaries General and should be resourced with necessary external expertise.
- Appoint a Minister for Competitiveness whose sole role is to ensure that a successful plan is delivered. Ideally, this person should not be a T.D. and could be done via Seanad Eireann. The Minister would set clear targets to deliver a competitive economy where there is a singular focus in all areas on delivering 200,000 jobs.
- Set up two Joint Oireachtas Committees on Competitiveness and Public Service Reform to monitor and measure progress on targets and to hold government accountable for the outcomes. The Ministers to report quarterly to these committees.
- Establish a Council of Economic Advisors drawn from ranks of expert business leaders and others to advise government.
- Each government department should have a small advisory board mostly drawn from outside the public service with the necessary expertise and experience to work with the Minister and Secretary General to deliver policy objectives and targets effectively.
- Set a three month timeline for the establishment of statutory commissions on public service and electoral and Oireachtas reform with a twelve month deadline for delivery of actions from these commissions.

SECTION I

RENEWING ENTERPRISE AND EMPLOYMENT

Some areas of our economy have been seriously damaged. Some areas are recovering with increased exports and industrial output. Ireland is a small nimble economy and we must and can return to sustainable economic growth.

It is clear that there was little in the way of macro strategic planning driving the economy over the past decade. This must change. It is necessary that a strategic plan for Ireland's future economic development be prepared and implemented. This plan will have to identify the sectors where Ireland has a competitive advantage already, or indeed sectors where Ireland can create a competitive advantage in the future.

The key obstacles to the development of these sectors must be identified and addressed. The overriding imperative must be to create an environment where any obstacles to development are removed so that new sectors can fill the void left by those sectors that are now in decline and can thrive and prosper, replacing the old sectors with new areas of high current and potential growth.

The key priority in the economy must be to stimulate employment creation through fostering and encouraging entrepreneurial endeavour. This should involve both foreign-owned and domestic enterprise. Employment creation and stimulating both indigenous and foreign direct investment are critical to the solution of Ireland's current economic position.

Ireland attracted considerable foreign direct investment over the last 20 years by putting in place a business model that was appealing. This included a competitive corporation tax rate, the availability of a young well educated and English speaking labour force, a favourable cost environment and a generally business-friendly and flexible operating environment. Ireland's corporate tax rate of 12.5% is a cornerstone of our economic success and will help underpin our economic recovery.

In recent years, the perception of Ireland as an attractive place to do business has suffered. The cost of doing business has increased significantly, international competition for mobile investment has become intense and Ireland's reputation has been seriously diminished. Foreign Direct Investment is vital to Ireland and we need to ensure that the message that Ireland is open for business and eager for new investment is delivered to the right audiences.

The environment for domestically owned business investment suffered during the boom as labour costs and other business costs were pushed up and resources were sucked into the property and construction arena.

The group recommends the establishment of a Council of Economic Advisors drawn from the ranks of expert business leaders and others to advise government at a senior level as to how to successfully reengineer our economy. The Council should provide advice to a Cabinet subcommittee on economic policy comprising the Taoiseach, the Tánaiste, the Minister for Finance, the Minister for Business and Job Creation, the Minister for Competitiveness and the Minister for Public Service Reform.

We recommend that a task force be established to examine how Ireland could exploit the potential of a "green" brand that would apply across sectors such as tourism, food and technology. Ireland also has a strong association with the colour and it is also developing a reputation for sustainable business. These attributes could be exploited to create a national brand identity.

Ireland can be returned to strong growth if decisive action is taken and some 200,000 jobs can be created over the next four years if the measures outlined in this blueprint are implemented (See Annex 1).

A number of measures are now required to address this situation and ensure that the environment for both domestic and foreign-owned investment is made as favourable as possible:

1.1 FOCUS ON IRELAND'S GROWTH SECTORS

As a priority, we need to select winning sectors where Ireland has proven success, natural advantage and a world-class potential. These should include pharmaceutical; ICT; medical devices; tourism; food; the green economy and Irish culture and sport.

These sectors should be subjected to rigorous analysis and scrutiny to identify the potential they offer in terms of market development and employment creation. The issues they face should also be identified and if possible addressed. A strategic plan should be developed for each sector, setting very specific targets and action plans. Those with responsibility for the strategic plans should be subjected to transparent and rigid timelines and targets. Strategic planning of Overseas Trade Missions should form part of the plan and the best practice models of Japan and more recently the UK should be adopted.

Public Procurement is a very substantial business across the European Union. It is also very important for technology and service start-up companies to have reference sites to demonstrate their innovations. The group recommends that a unit be established that encourages and assists Irish companies to identify opportunities in procurement. The Department of Finance should review guidelines for tenders to allow more Irish companies an opportunity to compete effectively. They should also hold workshops for small start-ups and government procurement staff to see how they can work together to utilise the real and growing opportunity offered by public procurement. It is very important to be able to demonstrate the benefits of new technology on a global stage. Government agencies should provide opportunities to start-up companies for small test-bed demonstration sites.

1.1.1 Recognise the importance of emerging economies as a source of FDI and resource our relevant agencies accordingly

Ireland's Foreign Direct Investment strategy should give much greater focus on building links and investment with the dominant emerging economies of China, India, Brazil and Russia and also Japan. The IDA and Enterprise Ireland must be resourced to meet the challenge of delivering in Asia as it has in the US. They must also have operational flexibility to deliver their targets. The strategy should include sending high quality trade missions to those countries in order to encourage Irish investment in their countries and reciprocal investment in Ireland. China, in particular, is becoming increasingly capital rich, so its investors should be targeted for the domestic banks, utilities, ports and infrastructure. Ireland should increasingly market itself as an entry point into the EU market for Chinese and Indian companies seeking to gain a foothold in the EU market.

IDA has set an ambitious objective of creating 105,000 jobs by 2014. This will be challenging. The focus on retention is therefore as important as attracting new levels of business.

Companies perceive their decision to locate in Ireland as a long term investment. A strategy must be adopted to ensure that we are paving the way to entice companies to Ireland with a long term strategy for growth.

Ireland needs to ensure that we have adequate representation in new and emerging economies. Small diplomatic missions or commercial services offices should be put in place in key countries especially in Asia, to support our drive for global investment and trade.

There is a growing consensus in Ireland that human capital, diverse skills, talent and experience are essential components of economic recovery. It is important that Ireland continues to be viewed as an open and friendly country that embraces diversity. Most of our FDI companies, e.g. IBM, Google, Microsoft etc., have a very strong, proactive ethos and programmes on equality and diversity. They see it as critical to employee productivity, retention and profits.

It is also important that we use green energy and green building technology as an advantage in attracting lead companies.

Game Changers – planning for our future needs today

- The title of the new Minister charged with the Enterprise and Employment portfolio should be renamed the Minister for Business and Job Creation. This will give a clearer focus to the Minister and the Department. Their job should be to sell Ireland abroad and to support indigenous companies expansion plans.
- A target of 20% of FDI coming from China and India should be achieved by 2015.

Restructure state agencies tasked with job creation and economic development like Enterprise Ireland and FÁS so they become fit for purpose to serve the business requirements of the Ireland of tomorrow.

1.1.1.1 An appropriate and proportionate regulatory environment which facilitates FDI in financial services should be established

The creation of a good regulatory environment is essential. However, we must ensure that over-regulation does not deter Foreign Direct Investment in Ireland. We must tailor the regulatory environment consistent with the real level of risk to the system. All risk is not bad; it just needs to be managed. For example, the activities carried out by financial institutions, many of them foreign-owned, represent a very valuable and legitimate part of the Irish economy with almost €2 trillion under management in Ireland. That is not always the perception generated by media and other commentary.

1.1.2 Action to boost tourism

The key objective must be to increase the number and spend of visitors to Ireland. Tourism earnings fell by 13 per cent in 2010 to €4.6 billion. This decline occurred despite growth in global tourism in 2010, indicating that there is a more fundamental problem for the Irish tourism model. There has been a particularly sharp decline in Ireland's market share in the UK market. The damage to Ireland's reputation over the past three years and the perception that Ireland had become a very expensive tourist destination are key explanatory variables in this decline as well as the depreciation of Sterling against the Euro. The imposition of a tourist tax had a detrimental effect on inward tourism, particularly on short break and low cost travel.

The stated official target of eight million visitors by 2015 could be achieved and surpassed through the concerted action to reduce the cost of access and target new emerging markets. The Irish Tourist Industry Confederation and the Irish Hotels Federation has shown in a recent study that the sector is capable of delivering some 20,000 extra jobs over the next four years.

Four principles should be applied:

- 1) Reduce costs of access.
- 2) More effective and streamlined marketing of Ireland.
- 3) Conduct a marketing blitz in existing and emerging markets including the extensive use of new media and social networking.
- 4) The Departments of Transport and Tourism need to act in a coordinated and effective manner to deliver increased numbers of tourists. Both would particularly benefit from the expertise and experience offered by departmental Advisory Boards (see section 2.4) to ensure that the practical impacts of policy decisions are fully taken into account.

A fundamental rethink of the State's ownership of ports and airports is urgently required. Our three main airports are in state ownership as are ten of our main sea ports. The approach taken by many of these authorities has been to adopt a 'cost plus' pricing model rather than to improve the competitive nature of our tourism product. Costs at these facilities, and therefore the cost of access to our island could be driven down by selling many of these facilities to private operators.

This could be achieved by a carefully designed tender process where the objectives of lowering access cost without compromising safety or diminishing service would be paramount.

In addition, the tourism tax should be completely abolished as it was ill-conceived and counter productive.

New initiatives in tourism product development should be supported. We need to develop unique and attractive experiences. We should look at our unique environment and our key strengths. Incentives for activity and adventure centres, the opening of great houses and gardens should be put in place. Ireland has a very large diaspora, one of the leading sporting organisations of the world in the GAA, an international reputation in football, rugby, golf and boxing. These assets should be leveraged in driving tourism. Ireland should extend its gaming activities as it has been shown that some 2,000 jobs could be created in dedicated gaming facilities [DKM Economic Consultants 2008]. Legislation to extend gaming should be expedited following the recent review.

The amalgamation of Fáilte Ireland and Tourism Ireland would create a more streamlined and effective Irish tourism marketing and development agency.

A marketing blitz linked to an overall campaign promoting Ireland in key overseas markets is required as part of our overall drive.

1.1.3 Grow and green our food industry

In the midst of very difficult economic conditions, the Irish Food and Drink sector is doing well, as evidenced by growth of 11 per cent in exports in 2010. Ireland has a natural advantage in food production and the potential for growth is very strong against a probable global background of food shortages in the future.

The following measures are suggested:

- Irish food producers are operating at a competitive disadvantage as they lack scale and face very high costs of production. The food sector would benefit enormously from the suggested approach in this report to reduce all business costs. We need to further rationalise our production facilities as we do not have comparable scale with many of our international competitors.
- The focus of attention in the industry must be on quality and value added activities, rather than mass production of low quality product.
- Promote Irish food as 'green' and 'sustainable'. To support this objective, a single Irish food brand should be created with the brand based on very strict criteria, particularly around its 'green' credentials.
- The regulatory environment should be reformed in order to encourage productivity and job creation, and the growth of artisan and large scale food production around the country. This process should involve a co-ordinated approach with the tourism sector.
- The education system and relevant state agencies should be encouraged to focus on promoting and funding research and development and innovation in the food sector.

1.1.4 Reinvigorate our manufacturing sector

Ireland has lost 38,000 jobs in manufacturing over the past two years. There is a certain inevitability about the loss of manufacturing jobs in developed economies, as certain jobs migrate to very cheap emerging economies. However, the aim should be to seek to replace as many of those jobs as possible with higher skilled and higher value-added manufacturing jobs. Areas that stand out in this regard should include medical devices, food and drink, precision engineering and the opportunities presented by green technology.

Ireland's headline export figures are very impressive. However, on deeper analysis, the exports of foreign direct investment enterprises and of our indigenous food and drinks sectors make up the majority of our exports. The remainder of our indigenous manufacturing sector makes up a small proportion of the headline figure.

In the last decade, there was a general undervaluing of manufacturing and a misplaced over-emphasis on other sectors including the smart-knowledge driven economy. The reality is that a well-balanced, effective and sustainable economy requires a strong broad-based indigenous manufacturing sector. Other leading international economies such as the US and the UK pursued similar economic strategies to the detriment of their manufacturing sectors. Today, the US and the UK are changing this strategy and also their views on what can and should be manufactured in their own countries.

Rapidly rising labour costs in low cost countries such as China combined with ever increasing energy costs on long distance shipping makes these countries less cost effective, not just in 2011, but also in the coming years. This opens up the possibility of in-sourcing rather than out-sourcing for cost competitive countries.

Economic policies should reward work, innovation and promote the growth and development of the manufacturing sector. This will lead to faster economic growth, more jobs and a more competitive economy. The economy must go back to basics, making things again, through real engineering, improving quality, competitiveness and technological innovation, whilst recognising that real wealth is created by making something out of raw materials.

There needs to be extensive and wealth generating collaboration between all sectors of the manufacturing economy and third level institutions. This collaboration should encompass areas such as research, enhanced innovation and developing the type of graduate that the manufacturing sector needs. We need to encourage more of our students to enter the world of manufacturing based engineering.

The creation of a strong indigenous manufacturing sector must be a key industrial policy. By definition this will be a long term strategy and we should have 5, 10, 15 and 20 year targets setting out what percentage of the workforce should be employed in the manufacturing sector.

By implementing the measures to make Ireland more competitive we would re-invigorate and sustain our manufacturing sector.

The emphasis on research funding is too focused on primary research. We need to ensure that a portion of funding is applied to enhanced innovation. Most current funding goes to on-campus academic research rather than applied research in commercial companies.

Indigenous companies and start-ups would benefit from such a measure.

1.1.5 Supporting our SMEs and multiplying the number of start-ups

- We must support our start-ups. Compared with the US, European start-up performance is poor. Irish venture capital firms will require fresh capital if they are to continue investing in Irish SMEs and start-ups and require support to achieve this.
- Exempt start-ups from PRSI and corporation tax in their first three years in business, and eliminate the employment subsidy ceiling.
- We must learn how to scale indigenous companies into multinationals for the creation of a new economy.
- Multinationals must lend their support to small business by supporting them to compete for local and global business. This involves multinationals being more inclusive when tendering for business and also providing advice and assistance to local companies who wish to go global.
- Reduce red tape for small business, enabling these companies to get ready access to support and vital funds from state bodies.
- Rates, development charges, state service charges need to be drastically reduced and these matters are addressed throughout this paper.
- A guarantee scheme to help SMEs access credit is an urgent priority.

1.1.6 Health LifeSciences – Taking advantage of a Global Opportunity

Ireland has the potential to become a global leader in the high growth LifeSciences sector. The industry which spans pharmaceuticals, chemicals, diagnostics, medical devices and biotechnology generates over 60% of our merchandise exports making Ireland the largest single net exporter of medicines globally. Ireland is home to 13 of the top 15 LifeSciences companies in the world and manufactures nine of the world's top 15 medicines. All told, the sector generates more than €44 billion in exports and employs more than 52,000 people directly.

There is tremendous growth potential for the sector globally which is driven by ageing populations, an increase in chronic illnesses and more informed and better off consumers. At the same time, the sector faces many challenges. The costs of R&D have increased, the pipeline for new products coming to market is low, the healthcare system is putting downward pressure on prices at a time when it also demands that companies demonstrate the effectiveness, efficiencies and added value of new products and services. So while the opportunities are considerable, so too are the challenges Ireland faces if the sector is to continue to grow and contribute to Ireland's economic recovery. Many countries that compete with Ireland for foreign investment have published aggressive life sciences sector strategies with strong government support.

Ireland has built a strong reputation worldwide for its manufacturing excellence. This is a good, but insufficient basis for sustaining and growing the sector in Ireland. We need to continue to enhance our capabilities and to take action to position Ireland as an innovative, highly collaborative and internationally networked location for LifeSciences.

Health LifeSciences – An Enterprise Outlook published by Forfás in 2009 identified a number of opportunity growth areas for Ireland – including the need to retain and build on Ireland's reputation for manufacturing excellence; to enhance capabilities in innovation and clinical research; and to realise the potential through the use of ICTs for remote delivery of diagnostics and healthcare services.

Ireland already has many of the elements in place to take advantage of these opportunities and much is happening to support the future growth of the sector. State investment in R&D through the Higher Education Authority and Science Foundation Ireland has resulted in Ireland developing an international reputation in a number of therapeutic areas.

In order to commercialise state investment to date and to develop and deliver innovative products the industry needs to collaborate with the healthcare system, and with clinicians in particular. This is not happening effectively today. The objectives of enterprise and the healthcare system are not mutually exclusive. Innovative products can deliver improved patient outcomes, reduced costs in service delivery and increased efficiencies throughout the healthcare system.

Much needs to be done if we are to really take advantage of the opportunity for Ireland which the LifeSciences sector presents, including the need to:

- Create a central access point that enables companies to engage directly with clinicians (and the HSE) and to draw on their experiences on the front-line (e.g. an innovation hub).
- Expedite the health information bill which will streamline and consolidate the ethics approval process – providing clarity to industry around timelines, costs etc, and the introduction of a unique patient identifier which would facilitate collaborative research and information based healthcare.
- Continue to develop skills for the sector across all elements of the supply chain through from R&D, to design, to clinical trial management, leading edge production and sales and marketing.
- Establishment of a Small Molecule Competence Centre to support the pharmaceuticals sector.

It is important that the work of the Intellectual Property Implementation Group delivers an enhanced IP environment.

A LifeSciences Alliance was established in 2010 to help drive this collaboration and much progress has been made. It has brought together the thought leaders from industry, clinical and academic research, the healthcare system, the enterprise development agencies and government.

1.1.7 Retaining and growing our Information and Communications Technology and Creative Industries Sector

While Foreign Direct Investment will play a key role in driving Ireland's economic recovery, growth will only be achieved by adopting a focus on developing Ireland's indigenous sector, especially in the area of ICT and creative industries.

Equally there must be a key focus on retaining multinationals in Ireland and of encouraging those that are based here to consider further investment. Over the past three years, we have witnessed the challenges that this presents.

Most of all, Ireland requires an indigenous industrial policy that charts how we move from being consumers to producers, which encourages both start-up and failure, which multiplies the number of SMEs and most of all charts how we can scale those into Irish multinationals.

A recent survey indicated that 85% of multinationals intend to maintain or increase their investment in Ireland. However, this is contingent on a number of environmental factors which if in place will also enable us to create a vibrant and export driven ICT sector.

- Introduce IP legislation as an immediate priority so that multinationals will see Ireland as the best small country in which to invest and a place that is fostering R&D and driving new ideas and creativity.

- Ireland requires a 21st century digital infrastructure. Broadband infrastructure across the country is essential if Ireland is to be at the forefront of new technologies such as cloud computing.
- Develop an immediate national graduate internship programme. If each major company in this country committed to engaging ten graduates in work placements annually and each SME committed to retaining two graduates in employment for a year, we would minimise the possibility of emigration for up to 10,000 graduates.
- Ireland is losing out in the area of global online gaming and betting. Irish operators are using locations such as Gibraltar, Malta and The Isle of Man to base their operations. Ireland needs a legal provision for this industry. DKM showed that if Ireland captured a 5% market share it would generate 5,000 jobs here.
- Ireland should draw up a strategy for an Irish Digital Gaming Industry to help attract more digital gaming businesses to Ireland.

1.2 MAKE IRELAND THE MOST COMPETITIVE ECONOMY IN THE EUROZONE BY 2016

Between January 2000 and April 2008, Ireland experienced a 33% loss in international price competitiveness. This reflected adverse exchange rate movements as well as sharp increases in the general cost of doing business. This loss of competitiveness was instrumental in the slowdown in exports and pressure on the capacity to attract foreign direct investment. Since the onset of recession in 2008, there has been an improvement of 13.6 per cent in Ireland's external competitiveness. This reflects favourable exchange rate movements as well as a decline in some of the costs of doing business, particularly wages.

Despite some improvement in competitiveness, many non wage costs, particularly utilities, are a significant cost for both hi-tech multinational firms and SMEs. This was highlighted in the National Competitive Council's benchmarking exercise, which showed that Ireland performed poorly in property costs (both purchase and rental), utility costs and a range of domestic services such as accountancy, IT and legal services.

During the period between 2000 and 2007 Ireland lost sight of the fact that it is a textbook example of a small open economy and that external competitiveness is an essential ingredient for economic success. Competitiveness must be a key area of focus for the new Government. This should include giving the Minister for Competitiveness a specific target and the full support to make Ireland the most competitive economy in the Eurozone by 2016. Areas of cost competitiveness that must be addressed should include reform of local government, in turn reducing the rates and local authority charges burden on small businesses; professional fees, energy costs, telecommunications costs and IT costs.

Areas of non-cost competitiveness also need to be addressed very strongly. These include the quality of the IT infrastructure, the quality of public services, the training of the labour force and the physical infrastructure. Competitiveness needs to be placed at the top of the economic agenda by a new government.

A score card to measure progress should be agreed in advance which will be monitored and reviewed regularly and this should form part of the annual report of the National Competitiveness Council to be afforded the same attention and respect as the report of the Comptroller & Auditor General. This report should be debated by the proposed new Joint Oireachtas Committee on Competitiveness.

1.2.1 Reduce costs of state services to business

The costs of doing business in Ireland are too high and must be taken down. Commercial rates, local authority charges and other state costs now represent one of the key impediments to the survival of thousands of businesses all over the country. There are too many local authorities in Ireland with much duplication or overlapping of services. Some counties have two local authorities in many areas duplicating services such as waste collection or road tax administrations.

Each one has some very highly paid officials. A large portion of the commercial rates and other charges paid by business is used to run this expensive and inefficient bureaucracy. Local government must be rationalised in order to improve efficiency, reduce costs and eliminate duplication.

It has been estimated that at least €500 million per annum could be eliminated by streamlining services. The McCarthy report recommended that the number of local authorities be reduced from 34 to 22 authorities. We recommend that we move local administration to a regional level based on the nine planning regions which would give regional authorities of scale. This would reduce the number of councils from 34 to 9, eliminate wide scale duplication of services and generate savings of at least €1.5 billion per annum.

The cost savings should be passed directly back to the business sector in the form of lower commercial rates and other state charges. This would represent the best possible stimulus to Irish business at this time of crisis.

Other structures like VECs should be reviewed and if possible their functions assimilated into the local authority or the Department of Education.

1.2.2 Review and address the cost to industry of regulation

An audit of all licensing and regulatory requirements for business must be prepared and costed. Then measures must be taken to create a single regulatory authority that would simplify regulatory and licensing requirements and reduce significantly the cost to business of compliance. A study by RGDATA estimated that the total cost of compliance for the 4,000 members of RGDATA is €26.5 million per annum. An individual shop owner can have as many as 40 licences or permits to trade.

A single regulatory body should be set up to manage these sectors. This would get rid of considerable overlap and would significantly reduce the cost of regulation for many businesses that are already struggling to survive.

1.3 EFFICIENT STRUCTURES TO SUPPORT INVESTMENT

There are certain areas where there is a lack of necessary infrastructure, and these require immediate attention. Ireland needs to move up the broadband league table in terms of access to high speed broadband. We need a plentiful supply of clean water for consumers and for the pharma and life sciences sector. We also need to ensure that we have sufficient headquarter type office buildings for major multinationals wishing to locate in Ireland over the next five years. We currently have a small number of viable properties with no new buildings under construction.

1.3.1 The Energy Challenge

Energy costs are a major concern for industry and householders alike. We spend some €7 billion annually on imported fossil fuels, one of the biggest outflows of funds from our island. With the price of oil already hitting over \$100 a barrel we need to tackle the twin challenge on energy policy security of supply and over reliance on one fuel, natural gas. Ireland is exposed at the end of a very long supply pipeline for gas.

We also have to face up to the structures that pertain in the sector in terms of generation and supply. There have been recommendations that some of the semi-state companies in the energy sector might be sold off to raise much needed funds. Selling these companies should only be done on the basis that Ireland has a dynamic and truly competitive energy market as a result.

Ireland needs to encourage further off-shore exploration as previous indicative finds off the North West coast may now become viable in the present and future price environment.

Other sources of energy in Ireland should also be assessed, with everything from fourth generation nuclear plants to tidal and wave power considered.

Fourth generation nuclear would offer a significant and stable supply of relatively low cost energy. Consideration should be given to an all island approach to such a debate. Fourth generation nuclear would also have considerable research and spin-off industries in areas such as healthcare and pharmaceuticals.

Ireland has a unique opportunity to become a hub for renewable energy in Europe. The EU would benefit from Ireland's unique and optimal position to avail of wind, tidal and wave energy. This is likely to gain support in the EU as aggressive renewables targets have been set under European law.

From an Irish perspective this would allow Ireland to profit from its location as well as attract investment from Europe to facilitate the development and refurbishment of the Irish grid.

The key focus will require Ireland to become the leading technology developer in tidal energy and wave energy. As a first mover, Ireland could develop the core industry of tidal and wave equipment production and installation with subsequent export opportunities. In addition, spin off industries would be created similar to Denmark where they developed shipping and installation industries specific to offshore wind. These industries are now being used by Britain, Germany and other North Sea facing countries. If the opportunity is not taken quickly it may be lost to neighbouring Scotland or England given that they have similar offshore resources.

There will be a number of challenges in achieving this target, namely:

- Obtaining European Development Funds to finance such large-scale projects.
- Building the network to support and facilitate large offshore generation capacity.
- Transporting the generated energy to areas of demand – considering the generation will be located in remote areas, losses in transporting the generated energy to the wider European market must be minimised to maximise efficiencies and revenues.

The cost of extending the Irish grid needs to be examined in detail. Other countries have deployed less costly designs in transmission build programmes. It would be worthwhile running a tender process independent of ESB Networks and Eirgrid to challenge the conventional approach to design and build of electricity networks.

1.3.2 Delivering high quality and market led education and training sector

Education has become a major service export for many countries and perhaps more importantly a key ingredient in attracting high-end inward investment. Ireland does not have one university that ranks on the world stage, yet we aspire to the objective of building a knowledge-based economy. The existing third level structures should be radically reformed in order to achieve scale and critical mass.

- To ensure a sufficient supply of graduates with the necessary skills to fulfil the requirements of business in this country, a radical overhaul of our education system and our teaching methods is required. Key skills in technical engineering and professional categories will ensure that Ireland remains ahead of the curve – we need to be producers not consumers.
- This requires a renewed focus on maths and science at all levels of the educational system.
- Companies are also seeing a requirement for higher standards of fluency in foreign languages. Including Asian languages in the curriculum is extremely important if we are to consider China, India and Japan as serious trading partners.

- Students must be equipped with the necessary technological tools to embrace new methods of learning especially through online. Further practical examples include that each student at 5th and 6th year should have access to a laptop and the course content should be delivered digitally.
- The way that subjects are taught at second level must change, so that learning by rote becomes a thing of the past. This will equip our students with problem solving, design, innovation, communication and creativity to foster new ways of thinking.
- While the university is an institution that originated in Europe, very few European universities are ranked in the top 20 of the world. Ireland needs to restructure its third level structures and funding in a manner that will ensure our universities can rank as top class universities on a global scale.
- Ireland's third level education system is too disjointed to be effective, for example, there are eight third level institutions in the greater Dublin area within a 30 minute radius. The physical location of campus facilities should not be an impediment to creating such a body. We have the potential to create one major University of Ireland.
- **Use labour market planning to drive educational direction**
Ireland's education system must be fit for purpose as Ireland works its way towards recovery. While it is everybody's right to choose what they study and the direction of their careers, there should be incentives for people who focus in on areas which complement a rolling National Industrial and Labour Market Plan. This will ensure that there are enough of the right graduates in place to respond to industry demand.

Upskilling is not an option, it is essential.

The plan itself which would need to be widely published and accessible would also help young people decide on what career is right for them.

- **A multi-annual Labour Market Activation Fund to reduce long-term unemployment**
Investment in programmes which provide a bridge to enable individuals to transition from social welfare and state services to active employment is required. It is accepted that there are groups of people who find it very difficult to find employment. Little has been done to invest in supports which would enable them to enter employment.

Short, intensive programmes can help individuals to take the next steps towards new careers whether that is on to further education or employment e.g. the Labour Market Activation Fund funded JobFit programme has supported 1,500 people access training supports in the last six months with hugely positive outcomes for individuals – more than 20% of participants will have entered employment at project end. Programmes with proven outcomes should be funded on an ongoing basis.

A short PRSI holiday for employers taking in graduates of these courses should be put in place to assist with the transition to a new skill.

- **Support for people with disabilities**
Over 70% of people with disabilities and people with mental health difficulties experience unemployment. Further enhanced supports in training should be put in place to prioritise these groups to ensure their equal opportunity to access work. Employers should be supported to employ people with disabilities through enhanced employee subsidy and support schemes.
- **Reducing absenteeism**
Approximately 6.6 million days are lost to absenteeism in small Irish businesses every year (ISME Survey 2009). This amounts to an estimated loss of more than €1 billion in sick pay per annum. A person who acquires an illness or disability is far more likely to remain in a job if they return to work quickly. A collaborative approach between the employee, employer and the state, benefits all – getting the person back to work and maintaining their income, reducing the cost of re-training and recruitment for employers and eliminating the risk of long-term dependency on social welfare and state services.

- **Joined-up government to reduce social welfare dependency and promote active workforce participation.**

As it currently works, interventions in other departments are not always identified in the context of employment outcomes.

All government departments should recognise and value the contributions made by schemes under the auspices to the outcome of entry/re-entry into the workforce, and these should be measured across each department.

A lack of medical rehabilitation in Ireland is a significant barrier to work. It is well evidenced that early intervention is linked to an early return to work. Regional rehabilitation facilities are needed to address this deficit.

1.3.3 A more efficient and robust welfare system

Ireland now spends €21 billion on social welfare payments every year. Between 2000 and 2010, expenditure on social protection increased from €6.7 billion, an increase of over 200%. It is estimated that the cost of administering this budget is 5% or some €1 billion. There have also been estimates of significant savings that could be achieved thorough the elimination of waste and fraud. Modern systems of administration from chip and pin cards to biometrics could be deployed to have an efficient and effective system of welfare administration. It should be possible to achieve savings in the order of 10% or €2 billion by 2015 in this area. An expert group should be established with a time line of six months to see how efficiency and the elimination of fraud should be achieved in this area.

1.3.4 Stimulating the Construction and Property Sector

A functioning construction industry is an essential component of any modern economy and a vital part of any recovering economy. It provides the critical platforms for the way we live and how and where we work. The role of the construction sector is not confined to housing – it also includes the provision of hospitals, schools, third level education facilities, transport, energy, broadband networks, business accommodation, and most importantly from an Irish perspective, suitable facilities for multi-nationals investing in Ireland. All of these elements are an essential part of a modern economy and society, and are essential components of national competitiveness.

The Irish construction industry is now being stripped of its core skills and its role in future economic development is under serious threat. This cannot be allowed to happen. For an economy at Ireland's stage of development, the optimum level of construction industry output should be in the region of 12% of GNP. Therefore, based on GNP in 2010 at €127 billion the construction industry should represent €15 billion to €19 billion. The current figure is €9 billion, despite acknowledged infrastructural and other deficits in many areas.

There is in effect no public policy for this industry and it could be argued that some of the measures taken could accelerate the decline of the sector. This would not be in Ireland's longer-term interests.

Construction is an employment intensive sector. For every €100 million of spend, approximately 1,000 jobs are supported. At the peak of the construction boom in the first quarter of 2007, the construction sector accounted for 14.5 % of total employment in the economy. In the third quarter of 2010, construction accounted for just 6.2 % of total employment. For an economy at Ireland's stage of development, the sector should account for at least 10% of the workforce. Accordingly, there could be potential to employ some 60,000 additional people in the sector.

Ireland's future industrial growth and export success is now threatened by the problems in the construction industry. Without the skills and capacity to deliver complex modern infrastructure, ranging from wafer fabrication facilities to medical device production complexes and pharmaceutical manufacturing centres to power generation and transmission projects, Ireland's future success will be undermined.

There needs to be a new approach to planning in Ireland. Substantial resources must be allocated to planning departments and an independent review of planning law and practice involving all structures of planning including An Bord Pleanála based on best international experience should be undertaken immediately. A plan-led approach that delivers certainty and transparency to the public and to investors is an urgent requirement. The experience of the advance planning of SDZs (Strategic Development Zones) is a good example of how this might work. A new planned approach would help avoid future property market bubbles.

Ireland has made significant advances with the completion of major inter-city motorways, but in many other areas of infrastructure we lag behind our competitors. A world class infrastructural system is essential. Schools, hospitals, roads and rail infrastructure all need continued investment. Water and broadband roll out is deficient. The construction industry is critical in the delivery of this essential infrastructure.

In some areas of the property market there is oversupply, but it is not universal. Much of the oversupply is misplaced in terms of location - we have property in locations where there is no sustainable demand. Official figures obtained from a national survey of ongoing housing developments conducted by the Department of the Environment, Heritage & Local Government in October 2010, showed that 23,250 dwellings are complete and vacant; 9,976 dwellings are near complete; and 9,854 dwellings are at various early stages of construction activity from site clearance to foundations and up to wall plate level. There are not 300,000 vacant housing units in Ireland, as is sometimes suggested.

Stock of vacant new completed housing units throughout the country ranges from 1.1 months supply in some urban areas to in excess of four years' supply in more remote locations. In the major economic centres over-supply of housing is becoming less and less of an issue. The problem is region-dependent; the situation in Leitrim is not the same as Dublin or Cork. This fact must be recognised in any consideration of the future of the Irish construction industry.

The ERSI has forecast that we need circa 33,000 new homes to be created every year (2012-2016).

Ultimately, creating a functioning market is the only sustainable recovery vehicle for Irish property and construction. With no funding for buyers and a limited number of 'trophy assets' that will attract overseas buyers, the only sustainable mechanism to deleverage the sector is through a functioning market. This point is not appreciated by the makers of public policy.

SECTION 2

REFORMING IRELAND'S PUBLIC SERVICES

Ireland now is the second most globalised economy in the world. Ireland has also become a more diverse society. While this document has focused on the economy, business and reforming the public service, it is also essential that the issues of social protection of the most vulnerable, equality of opportunity and essential fairness underpin the Irish recovery.

A diverse society is a smart society. A successful and creative economy is driven by technology, talent and tolerance. Countries increase their ability to grow their economies by being open to the widest range of people across all categories including ethnicity, race, national origin, disability, age, social class and sexual orientation. In considering the development of our tourism industry, attracting foreign students to Ireland, attracting high skilled workers to Ireland and foreign direct investment we must adequately provide for measures that ensures that Ireland is seen as a society which welcomes diversity, embraces equality and caters for all.

In the areas of education and employment, specific supports must be available to groups such as the long term unemployed, people with disabilities and lone parents to ensure that they have the opportunity and supports to develop the skills necessary to compete for employment.

It is important that any employment incentives be, in the main, focussed on the targeted business sectors and underpinned by robust labour market planning.

In addition it is vitally important that public monies spent on areas such as health, education, infrastructure and transport, are spent on appropriate services of sufficient standards, which are client/patient centred and proven value for money and that the structures of these services are such as to be able to deliver the services efficiently and effectively.

Ireland must also be seen as a safe place to do business. Public funding spent on tackling crime is both a societal and economic investment. The Group believes that further investment in the Gardaí and Justice area is vital to rid Ireland of drug related and other crime. Vulnerable people need to be diverted away from a life of crime and the causes of such problems also need to be addressed.

2.1 ESTABLISH TWO COMMISSIONS 1) OIREACHTAS AND ELECTORAL REFORM, AND 2) REVIEW OF PUBLIC SERVICE AND LOCAL GOVERNMENT

The public sector has come in for much attention and criticism during the economic crisis. The fact is that public spending in areas such as health, education and social welfare increased disproportionately during the period from 1997 to 2007 and the consumers of public services did not experience a concomitant improvement in the quality or quantity of public services. The benchmarking of public sector pay in 2002 increased public sector wages and pensions by 8.9 per cent on average. This marked a stepped increase in the cost of the public sector, but Government believed it was affordable on the basis that tax revenues were growing very strongly.

However, the reality is that the growth in tax revenues was driven by temporary factors - particularly the unsustainable economic boom. Once committed to, it is politically very difficult to withdraw public expenditure. Since 2007 the tax take has fallen sharply due to the collapse of the construction sector and a serious and unsustainable deficit has been exposed in the public finances.

This deficit has to be reduced either through tax increases or expenditure cutbacks, or a combination of both. There is a body of evidence to show that the most successful fiscal consolidations focus on spending control rather than tax increases. Canada and Sweden have both undertaken successful consolidation in recent years, based on significant spending cuts. However, it is important to protect those areas of spending which have a positive impact on economic growth and social protection.

The focus of spending should be on the quality rather than the quantity of spending and it needs to be strategic, not just incremental. It is a fact that, for an economy and a society to function properly, a high quality public service infrastructure is essential. However, the cost of running the Irish public sector is now too high and a key focus has to be on ensuring that we get greater value for scarce resources. Hence, the focus must be on the efficiency and effectiveness of public service delivery.

A committee of external experts (to be known as the Public Contestability Committee), should be established, under the Minister for Public Service Reform. It should be mandated to look at all the public services that are provided and to ensure that a test of 'contestability' is applied to all of them i.e. each of the services should be subject to external benchmarking to ensure that a fully-costed public service is cost effective and efficient. Otherwise, the service should be outsourced.

The public sector encompasses the political system, the civil service, state agencies, semi state bodies and commercial state bodies. Public services are also delivered by NGOs and community groups. Many hundreds of representative bodies and social and cultural organisations are also funded from the public purse. There is scope for more effective and efficient delivery of public services across all of these sub-sectors.

A significant issue for Ireland is the overall capacity of the current leadership (and upcoming leadership) of the civil and public service. A talent and leadership deficit has occurred in recent years, as the cream of graduates who once veered towards the civil service moved instead to the private sector. This, coupled with the voluntary redundancy schemes, supported the exodus of many of the most talented.

Policies must be engineered that will ensure that talented people are attracted into the public sector; that the public sector is highly motivated and efficient; and that the public sector once again comes to be appreciated by the taxpaying public.

A senior executive development programme for the top echelons of the civil and public service needs to be established to provide and support its future leadership.

Ireland's dysfunctional political system has been the subject of intense scrutiny since the economic crisis took hold in 2008. The 2011 general election brings Ireland to a critical moment, with an opportunity to radically reform the structure and dynamics of its political system. The limitations of the system have been well-documented and there is a public demand for change in politics and political life.

There should be two statutory commissions established within three months of the election of a new Taoiseach to report with recommendations within twelve months.

- A) A commission should examine proposals to reform the Oireachtas and make recommendations on electoral reform.
- B) A separate commission should examine proposals to modernise the public service and local government in addition to the urgent objective of reducing public service headcount by a minimum of 30,000.

There are five main areas that require urgent attention:

2.1.1. Electoral Reform

The electoral system needs to be examined, to ensure it produces politicians and leaders of the highest calibre and people who are focussed on public policy not just clientelism. Many of Ireland's politicians are drawn from a narrow base of professions and backgrounds. The base needs to be widened and more talent attracted into politics.

An electoral system that draws on both constituency-based representatives and a list system would encourage a better mix of talent.

There are also concerns about the impact multi seat constituencies have on representation. In many cases it changes the nature of representation from a policy focus to delivering minor issues and services.

However it must also be said that there are many people who believe that the list system is elitist and that the multi seat constituency system brings politics closer to the people and therefore favour leaving the system as it is.

2.1.2. Local Government

The system and structures of local government date from the nineteenth century and are not fit for purpose. The concept of regionalised local government dates back to the Devlin Commission in 1969. The delivery of services would be far more efficient and effective if based on a number of planning regions. The present policy of having two local authorities in many areas leads to duplication of services and, in some instances, conflicts in local policy on planning, on retail strategies etc.

Ireland's system of local government is too cumbersome, inefficient and expensive to run. This is reflected in a very onerous burden on business in the form of local authority charges and commercial rates. Significant cost savings must be made and passed directly on to the business sector in the form of lower rates and charges.

Total local government current and capital expenditure in 2010 is estimated to be in the region of €8.5 billion. Net budgeted current expenditure represents some €4.7 billion of this amount. The Report of the Local Government Efficiency Review Group (July 2010) estimated that savings of €511 million could be achieved through savings and efficiencies.

The present system of 34 local authorities should be replaced by nine regional councils.

2.1.3. Oireachtas Reform

The parliamentary system needs to be strengthened modernised and improved. A stronger, more vigilant Dáil that acts independently of government control and holds the government accountable is needed. A more effective committee system with independently elected chairs and a Ceann Comhairle elected by secret ballot would be steps in the right direction.

The opposition needs to be resourced properly with more research and policy staff. One proposal that might assist to achieve this is to establish an Office of the Opposition in the Dáil.

The abolition of the Seanad has been mooted by many observers but this in itself is not sufficient to make our parliamentary processes more effective and vigilant. The Seanad should be abolished but only after the outcome of the Commission reports are presented.

2.1.4 A revamped Public Service and more efficient Delivery of Public Services

There are some excellent public service but there are also widespread and justified concerns about the calibre of many of our public servants.

Policies should now be put in place that not only allow but also encourage recruitment from outside the public sector into all levels of the public service. In addition, graduate recruitment and training should be a priority. We need to invest in the future leaders of our public service.

This process of external recruitment and general reform of the public sector should be driven by the appointment of a Minister for Public Service Reform which would have a life span of three to four years. The office could be responsible for the Human Capital Strategy.

- **Allow for appointment of Ministers from outside the Dáil**

Many countries appoint people with the necessary expertise and skills as Ministers. There may also be an advantage in that such Ministers may have more freedom to implement their plans without being subject to local pressure from vested interests.

- **Institute a coordinating forum of Secretaries General, on a statutory basis to deliver defined outcomes as appropriate**

One of the significant weaknesses of the civil service is the lack of joined-up planning, execution and impact measurement. The Secretaries General do not appear to work together as a team to deliver the programme for government, and this lack of coordination permeates all levels of the civil and public service.

A co-ordinating forum of Secretaries General chaired by the Minister for Public Services, should be formed on a legislative basis, with statutory requirements to deliver 'whole of government response' and joined-up action, with regular impact analysis. The Public Service Management Act should be amended to provide for this under statute and to encourage long term thinking and planning for Ireland.

We need strategic long-term plans drawn up in every government department, that contain clear objectives, key performance indicators and timelines for action.

- **Public Service Recruitment**

Secretaries General are appointed by Government and Government can set or change the procedures for the post to be advertised externally without any change in the current legislation. However, the biggest mistake being made at the moment is the simple call for the top people to be externally replaced. This has been evidenced in the quality of external people applying for senior positions. This issue also applies to politics as the skills to get and stay elected are not those required to manage multi-million government departments or to run a complex economy.

Policies should now be put in place to recruit from outside the public sector into all levels of the civil service to allow for the civil service to actively develop from within. This process of external recruitment and general reform of the public sector should be driven by the development of a Department of Public Service Reform which would have a life span of three to four years. The office could be responsible for the Human Capital Strategy and all human resources, including reduction in numbers, terms and conditions of employment, benefits, performance, development and organisational structure matters.

- **Institute a new benchmarking process based on Eurozone pay rates**

The civil service numbers and grades have grown with little or no reference to individual performance. Also the moratorium on new appointments is inefficient and blunt. A glaring general issue is the management of poor performance and the aversion to risk-taking. This is a cultural issue and to address it will require the building of a new environment which cultivates ambition, entrepreneurial spirit and a can-do attitude, while at the same time fostering the values of civil service. Also the "generality" of the civil servant post is old fashioned and inefficient, and leads to poor use of acquired skills and abilities.

While the moratorium on recruitment is in place to reduce numbers it is a blunt instrument, and is having a negative impact on specific post recruitment, leading to non-performance of some functions.

The competitiveness of the Irish economy is a function of costs in both the private and public sector. The downward trend of wages in the private sector is a positive development but this needs to happen in the public sector. There is a case for instituting a new benchmarking process to address on an ongoing basis the pay of public servants, generally, with a remit to look at Eurozone pay rates and not be confined simply to domestic comparators. Furthermore, this should include a process for rewarding effort and sanctioning lack of performance.

- **The Delivery of the Public Services**

While there are many dedicated public servants who deliver good services above and beyond the call of duty, there are many, both at service delivery and management levels who are not performing to the required standard. Overall, the delivery of services by the public sector has been costly and inefficient. Different ways of providing services to the public have been executed in other jurisdictions. The focus of government should now be on the purchaser / regulator model. Services should be contracted out to preferred providers in the private, not-for-profit, and public interest trusts, with clear key performance targets. All services should be capable of being tested as to how they perform against a best in class standard.

- **Relocate demand-led schemes and transfer non core activities from government departments**

The administration of all demand-led schemes, such as medical cards and long-term illness schemes, should be transferred to the government department responsible for social protection.

Other functions e.g. registration of births, marriages and deaths, restaurant inspections, should be transferred out of the Department of Health or outsourced.

- **Performance management is required for all Exchequer grants to community and voluntary groups**

The people of Ireland are internationally recognised for their voluntary contributions of both time and money. What is often forgotten in the economic debate is the significant, albeit sometimes invisible, contribution that the voluntary sector makes to society and the economy in general. In addition to this contribution, however, many government departments provide funding to community and voluntary groups. The Department of Community Equality and Gaeltacht Affairs alone provides over €300m to areas such as community, rural, equality, disability, refugees, family support agencies, north-south cooperation projects and Údarás Na Gaeltachta. While it is generally believed that this funding is providing value for money, there are no specific key performance indicators or measurements associated with these grants.

It is very important to our society that community and voluntary groups are supported. However there seems to be overlap and replication in some areas. A review of the impact of these groups is needed and tendering introduced for state funding for the provision of services to promote areas such as community participation, representation, anti discrimination, equality and social protection, with clear key performance indicators and outcome measurement.

2.2 COMMERCIAL STATE AGENCIES NEED TO BE REVIEWED

The sale of the commercial state companies has much support and should be pursued as a matter of urgency. A prompt, time limited taskforce should be established to sell off these assets. However, it must be done strategically and each commercial state company sale should be considered in line with wider economic growth and social policies across government departments.

2.3 THE ROLE AND NEED FOR QUANGOS

Many state agencies provide targeted services and their boards comprise of independent directors with appropriate skills and abilities. However, there is a strong public perception that there is a duplication of effort, an inefficient use of resources and an over-influence of interest groups among these bodies. The need for these agencies must be thoroughly reviewed. The McCarthy Report identified some quango areas but did not go far enough. A more fundamental and detailed review of quangos is now essential. Reform needs to be undertaken in a planned and coordinated way with government departments reabsorbing responsibilities with expertise transferred into the public service. Any state board appointments should be targeted at appointees with specific skills and openly advertised.

2.4 ADVISORY BOARDS

Small formal Government Advisory Boards should be set up to work with all government departments, made up of appointees with varied experience and expertise, drawn from home and abroad, giving freely of their time.

These boards should not simply be drawn from narrow sectional interests but from a broad base of academic, business and other relevant walks of life. These boards should be seen as a valuable resource, a type of “cabinet” of advisors, not a dilution of power.

These boards would be used:

- As a sounding board for policy formulation
- To put a practical focus on policy execution
- As a consultation on development of legislation
- To help with monitoring, measuring and the timely delivery of programmes

SECTION 3

RE-ENGINEERING BANKING AND FINANCE

Correction of the public finances and restoring a functioning banking system that facilitates an adequate flow of credit into the economy and commands the full confidence of deposit holders, are the two most immediate and crucial problems facing the Irish authorities.

Ireland's annual borrowing requirement is not sustainable. However, the achievement of sustainable public finances will impose a considerable economic drag on the economy. Between 2011 and 2014 the Irish government aims to implement an adjustment of €15 billion, to be achieved through a combination of tax increases and expenditure cutbacks. This adjustment is equivalent to roughly 10 per cent of gross domestic product (GDP), with 40 per cent of it due to be implemented in 2011.

This planned correction of €15 billion comes on top of a similar correction since 2008. So in essence, between 2008 and 2014, Ireland is set to experience a fiscal correction equivalent to roughly 20 per cent of GDP. No country has ever experienced such a correction without an accompanying devaluation of the currency. Obviously Ireland does not have that option.

The fact is that Ireland is in the middle of an economic and social experiment that does not have a precedent. It could work, of course, but there can be no certainty. The annual interest rate bill on Ireland's national debt could well approach €9 billion by 2015 (€4.8 billion in 2010). It will be a very difficult task to implement the fiscal adjustment as planned and honour all sovereign and non-sovereign debts.

Under the rules of the capitalist system it is hard for many to accept that investors who invest in the bonds of banks, whether they are subordinated or senior bonds, should be insulated from potential losses. But there are substantial differences between subordinated and senior bonds, with the latter ranking *pari passu* with depositors. It would be unwise for Ireland in particular to take any unilateral decision in regard to senior bondholders.

This would threaten our ECB and EU/IMF funding, both to the sovereign and to the Irish banks. It would also threaten Ireland's capacity to go to the debt markets in future. So Ireland must therefore only contemplate any actions in the context of an agreed ECB/EU approach in the future.

The following measures should be considered:

3.1 DEALING WITH THE ECB, IMF AND EU

3.1.1 Collaboration is required with ECB and EU partners to develop a long-term bond market

The Minister for Finance, together with the Governor of the Central Bank, must push the case with the ECB and the EU leaders to create a new long-term bond market for sovereigns. We need a 30 year bond market to deal with long term restructuring of economies. The need for a substantial amount of core long-term funding is fundamental to the debt problems of the most vulnerable European sovereigns. There needs to be a linkage between economic growth and the cost of funds made available from both the IMF and the EU so that repayments are economically sustainable.

3.2 GETTING CAPITAL FLOWING TO BUSINESS

3.2.1 A guarantee programme for SME borrowing is required

With the demands from ECB/IMF for deleveraging of the banks' balance sheets and the Regulator's demands for increased capital ratios and a loan to deposit ratio of 100%, there will not be sufficient liquidity available for the real economy. Government needs to create a guarantee programme for SME borrowings, so that funding is made available immediately for this sector.

3.2.2 Sale of Irish Banks

The holders of deposits in the Irish banking system have lost trust and confidence in the Irish banks. This is manifesting itself in a strong outflow of deposits from the Irish-owned banks. This situation cannot be allowed to persist. It will take too long to re-establish the requisite level of confidence. Ireland does not have that time. Consequently, serious efforts should be made to sell AIB and Bank of Ireland to international banks who would command the confidence of deposit holders. The remaining Irish banks should be merged to form a third force.

The new government needs to set up a clear, transparent and time-limited process to complete this outcome.

3.2.3 Protecting Home Owners

Latest data show that at the end of 2010, 44,508 mortgage accounts (5.7% of total residential mortgages) were in arrears of at least 90 days. It is also likely that up to 200,000 mortgage holders are in negative equity. These developments represent a very significant drag on economic activity, in addition to the social consequences.

A range of measures will have to be considered by the new government to help alleviate some of these pressures. Debt forgiveness is not affordable for either the banking system or the taxpayer at this juncture, but the pressures will have to be alleviated.

A combination of measures should be considered by the new government to help genuine cases of hardship. These could include mortgage interest relief for those who bought at the height of the boom, long term (10 year) limited tax relief for those who have had to sell their homes at a loss or a set-aside of a portion of a mortgage for five years for those in arrears or having difficulty meeting payments. Any of these measures would be subject to strict conditions to ensure that only those with real and genuine problems can avail of any of these measures.

3.3 MAKING NAMA WORK

3.3.1 The Role of NAMA in assisting recovery must be clearly defined and understood

NAMA was set up to restore solvency to the Irish banking system and get credit flowing in the economy again. NAMA has not achieved the fundamental objective for which it was set up. The role of NAMA needs to be reviewed and all options explored.

Urgent clarity and policy direction is required as to the operation of NAMA.

The strategic and operational focus of NAMA needs to be extended from primarily being a collection agency to one that has a more commercial approach to resolving the underlying problems of a market that is not functioning. These include a poorly capitalised market participants that will need capital restructuring (most likely from external sources).

An efficient and properly functioning housing and mortgage market is an essential component of a properly functioning economy. Ireland does not have a functioning mortgage market at the moment. The impediments must be identified and addressed as a matter of urgency.

There are dislocations between supply and demand (particularly in urban areas) that may cause problems to competitiveness and housing supply in the coming years.

Ultimately a functioning property market is the only viable mechanism for NAMA to achieve its objectives on behalf of the State.

Suggestions include:

The Board of NAMA needs to be reshaped to reflect the important work to be done with an emphasis on proven skills (most likely acquired on an international stage) in dealing with complex banking and property problems in a commercial manner.

NAMA needs to recognise that it has a role in supporting the emergence of a functioning market and to go about making this market so that assets can be traded.

NAMA needs to be properly capitalised to restore such stability.

A key priority must be the facilitation of appropriate forms of external capital to restructure many of the NAMA borrowers. Dealing commercially and in a constructive manner with such capital must become a priority for NAMA.

Such changes will seek to restore the confidence of international capital that financial problems in the Irish market are being addressed in a manner that is commercial rather than driven by the current narrow remit.

SECTION 4

RESTORING CONFIDENCE AND REPUTATION

Domestic confidence is very low in Ireland at the moment, and both consumers and businesses are extremely nervous about any significant financial outlays. In addition, international confidence in Ireland is very poor and Ireland has suffered massive external reputational damage. Strategies need to be put in place to restore domestic and international confidence in the country and repair the very tarnished reputation of the country.

There is a need to communicate clearly and with confidence to the citizens of the country and to external observers, particularly to our diaspora. The message has to be based on fact, but should focus on the dynamic nature and resilience of Irish people. A large number of blue chip companies have chosen Ireland as their preferred location to do business in Europe. Investors recognise that the cost base in Ireland is being aggressively addressed, but further substantial progress is required. This is very important and those companies should be asked to play a leading role in turning around attitudes towards the country.

There is also a need to connect with some key international influencers and people who support Ireland and keep them updated weekly on news from Ireland to enable them to play their part as “ambassadors” for Ireland.

The following measures need to be considered:

4.1 COMMUNICATING GOOD NEWS ABROAD

4.1.1 A positive investor relations strategy

It is crucial that we commence repairing the enormous reputational damage that the country has suffered. A small group of economists, business people and opinion leaders and others should be asked to represent our country, with a consistent story of the recovery based on reality.

We need to identify key investors initially and prepare an Investor Relations Strategy for the country with substantial reach. This has to be led from the centre of government.

4.1.2 Communicating good economic news

Large parts of the real economy are performing very well. Exports are growing and manufacturing output is expanding at a very healthy pace. The traditional and modern sectors continue to be positive. In addition, the recession is being used to reduce our cost base and reform the manner in which we run the country. Ultimately, the Ireland that will emerge from the current crisis will be a much more efficient and sustainable country, provided we continue to take the requisite measures. We need to communicate this, formally and informally, to all those who make decisions about foreign direct investment – be they existing or potential investors. The strategy should be factually based to maintain credibility and should include:

- The production of an economic report and weekly updates on why and how Ireland is doing well.
- Viral type video presentations of real economic facts with good news on inward investment with CEOs of multi-national companies featured as to why Ireland is a great place in which to do business. Use the IBEC You Tube clip as a starting point.
- An Open Letter type full-page advertisement signed by all the leading blue chip companies who have invested in Ireland, placed in relevant publications e.g. The Irish Times, Irish Independent, Wall Street Journal, China Daily Post, Singapore News, Yomiuri Shimbun and the Financial Times.

- A road show of business leaders to hit major inward investment areas such as Silicon Valley, China, India and Singapore.
- A Government-led communications plan needs to be put in place urgently involving lead agencies, such as the IDA, Enterprise Ireland and Tourism Ireland, in addition to our embassies. This plan needs significant investment and should involve business leaders as well as ministers.

4.2 COMMUNICATING WITH OUR CITIZENS

4.2.1 More balanced media coverage

There needs to be a positive engagement with editorial and ownership/senior management of media organisations in order to ensure we have balanced coverage and that good news stories are covered.

4.2.2 Engaging with the public

The majority of people want to get involved in getting our country back to work and individuals and communities are already taking action themselves. It is vitally important to harness the good will and positive energy that exists in every town and county in Ireland. To achieve this, a mechanism needs to be put in place to enable everyone to come together to achieve the common aim of recovery.

ANNEX 1

Job Creation Outcomes of this Plan

Sector	Q3 2010 Employment 000's	Potential Growth by 2015 000's
Agriculture, Forestry & Food	89.5	9.0
Industry	240.9	48.0
Construction	114.7	30.0
Wholesale & Retail Trade	269.7	27.0
Transportation & Storage	91.9	10.0
Accommodation & Food Service Activities	122.6	24.0
Information & Communication	73.3	30.0
Financial, Insurance & Real Estate Activities	99.3	10.0
Professional, Scientific & Technical Activities	96.4	20.0
Administrative & Support Service Activities	60	10.0
Public Sector	491.1	-30.0
Other	102	10.0
Total	1851.5	198.0

If all of the measures suggested in this report were fully implemented, a much more efficient economic model would result, and sustainable and high economic growth would be achieved. Such growth would result in a significant improvement in labour market conditions. All components of the private sector labour market should benefit from the improvement in economic conditions. In the period out to 2015, an additional 198,000 jobs could be created, which would represent growth of 10.7% in employment from Q3 2010 levels. Such growth in employment would be consistent with the economic growth rates that would likely result if this plan were to be fully implemented.

