Working for Our Future

A Jobs and Economic Development Strategy for Ireland 2011 – 2016

FINE GAEL

Let's Get Ireland Working

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A Jobs and Economic Development Strategy for Ireland

2011 – 2016

Foreword by Enda Kenny

Since the recession took hold three years ago, 300,000 jobs in Ireland - 14% of the total – have been wiped out. This is the biggest fall in employment of any advanced country since the crisis began.

As a result of the jobs crisis, the ESRI forecasts that there will be an additional 100,000 emigrants in the next two years – a higher rate of emigration than occurred even during the depths of the recession in the 1980s. This is a national catastrophe.

The 'party-time' philosophy of successive Governments in the decade to 2007 distorted the rewards to different enterprises, so that those engaging in speculation enjoyed far greater profitability than those who were genuinely creating innovative, sustainable products or services. It damaged the cost base of the economy and eroded the competitive position of sectors exposed to international trade.

The Government's response to the crisis has made matters worse. Fiscal austerity to pay for massive bank bail-outs has not restored confidence and employment in the Irish economy. Unlike this Government, I recognise that we cannot fix either the fiscal or banking crises unless the Irish economy starts to grow and create jobs again.

2011 could be the year Ireland begins anew. We can climb our way out of recession and look to the future with hope once more. With the right vision for a better country, a plan to guide us and a skilled team to make it happen, the Irish economy can be rebuilt stronger than ever. Fine Gael has such a vision for Ireland. '*Working for Our Future*' sets out how we will rebuild this economy.

Contents

Executive Summary

Section 1

The ESRI believes that Ireland has the capacity to generate a net increase of 100,000 jobs over the next five years. This is a realistic ambition for a new Government to set itself. Jobs and competitiveness will have to be prioritised.

Section 2 – Sustainable Demand

Protecting Investment and Competitive Tax Rates

- We aim to restore confidence in, and funding to, the Irish economy by bringing order back to our public finances and delivering a surplus of revenues over day-to-day spending by 2016.
- Drawing from international best practice, we will protect jobs as we cut the deficit by limiting tax increases to at most one-third of the total deficit-reducing measures.
- We will not increase direct rates of tax on income, employment and enterprise investment, and we will re-structure the VAT system to help shift consumer spending from imported goods into labour-intensive services.
- To help offset the deflationary effects of fiscal consolidation, we will sell State assets and restructure the commercial semi-State sector to bring forward €7 billion in extra investment in water services, telecommunications and energy.

Section 3 – Enterprise Capability

Helping New and Existing Irish Businesses Grow Their Markets

- A new 'Home to Export' programme will be established to share the expertise of exporting companies with firms currently reliant on declining domestic markets. A 'Source Ireland' portal will be developed to market Irish goods and services abroad.
- Service companies that export more than 90% of their output will be allowed become VAT exempt, improving their cash-flows and cutting down on red tape.
- We will publish a new Asia Strategy with the aim of trebling trade between Ireland and Asia during this period 2011-2025.
- We will support new business start-ups by simplifying tax registration, providing continued social welfare cover for three years and exempting some regulatory requirements designed for bigger companies.
- We will examine the feasibility of a single business tax for micro businesses (turnover less than €75k per annum) to replace all existing taxes.
- We will offer tax credits to multinational companies that provide the funding and mentoring needed by emerging Irish-owned companies to enter international markets.
- We will amend the R&D tax credit regime to make it more attractive and accessible to smaller businesses.
- We will develop Ireland as a '**digital island'** and first-mover when it comes to information technology and cloud computing.
- We will use Public Procurement as a tool to support innovative Irish firms.
- We will put in place specific strategies to support high-potential growth sectors, such as international education, digital gaming, financial services and tourism.

Section 4 – Labour Market Activation

Matching People to Opportunities

- A single Payment & Entitlements Service (PES) will be established to act as a single point of contact for the unemployed for all their welfare, training and job seeking needs.
- Welfare will be reformed to make re-entry into paid work more attractive, and to place new responsibilities on the unemployed while in receipt of State support.
- Youth unemployment will be specifically targeted through 45,000 new work placement and training places.
- Antiquated bankruptcy laws will be overhauled to provide "honest bankrupts" with clear and accessible routes back into normal economic life. New voluntary debt plans will allow SMEs to restructure without recourse to expensive courts.
- New links will be built between enterprise and higher education.

Section 5 – A Competitive Location

Reducing Costs, Red Tape and Bad Regulations

- We will reduce the cost of Government-imposed red tape on business by €500 million, in part by streamlining regulatory enforcement activities under a Business Inspection and Licensing Authority and a single Food Inspectorate.
- We will develop a Unique Business Identifier for use by all Government departments and agencies that will facilitate the sharing of information within Government and consequently reduce repetitive information requests from businesses.
- We will tackle high costs from sheltered sectors of the economy – such as transport, medical, waste and legal services – in part by strengthening competition policy and enforcement. We will merge the Competition Authority, the National Consumer Agency (NCA), the Communications Regulator (ComReg), Broadcasting Authority of Ireland (BAI) and the Commission for Energy Regulation (CER) into a powerful consumer champion.
- Employment Regulation Orders will be reviewed and all existing employment law will be consolidated into a Single Employment Act.

Section 6 – Making it Happen

- We will transform the Department of An Taoiseach into a Cabinet Office that oversees the delivery of a Programme for Government and that will ensure that the overall job creation priorities of Government are reflected across all Departments.
- In order to enhance political and administrative attention across Government on pro-employment, pro-competitiveness enterprise and regulatory policies needed for economic recovery, we will merge Forfás into the Department of Enterprise, Trade and Innovation to create a new Department of Jobs and Economic Planning
- We will appoint a common board to act as directors of both Enterprise Ireland and IDA to strengthen linkages between foreign-owned and indigenous businesses to improve the capacity for job creation and export penetration.

Section 1

Broken Ireland – Analysis of the Broken Jobs Market

1.1 Impact of the Recession on Jobs

Since the recession took hold, 14% of all jobs in the economy have been wiped out. This represents the loss of 300,000 jobs in the space of three years, and is the biggest fall in employment of any OECD country since the crisis began. And this relentless decline in employment has still not stopped.

The impact of this job loss has not been spread evenly. It has mainly affected the young – 55% of the job loss has been among persons under the age of 25 and 85% among those under the age of 35. And it has mainly affected men – over three-quarters of all the jobs lost have been among males.

It is the acute impact of this recession on certain sectors that has created this pattern. Three of the male-dominated sectors – construction, industry and primary production – suffered rapid decline during this recession. Over 200,000 lost their jobs in these three production sectors.

As the recession has taken hold, the pattern of job losses is affecting women more acutely, with more recent losses in clerical, professional, personal and sales occupations affecting many women. The wholesale and retail trades, which is a big employer of both men and women, has also seen significant decline in employment.

Not surprisingly the patterns of unemployment reflect these features. Unemployment rates among people under the age of 25 have risen by 20 points to 29%. By contrast, among older workers aged between 55 and 65, the rise has been just 6½ points reaching 9% unemployment for this group.

The large non-national element in the Irish labour market – 16% at its peak – has also absorbed a disproportionate share of the jobs meltdown. Foreign workers have suffered about three times the rate of job attrition as Irish nationals. About one-third of non-nationals have lost their jobs (105,000) and they have represented about one-third of all jobs lost. Many of those who have lost their jobs have left, with only about one in every five remaining to claim social welfare in Ireland.

While initially as the recession took hold, the number of Irish emigrating remained low, it is now accelerating sharply with the latest official figures showing 28,000 in the year up to April 2010. The ESRI forecasts an additional 100,000 emigrants in the next two years. Many young people have chosen to stay on in the education system.

The policy implications of these patterns are clear.

- Migration of young, skilled Irish workers is poised for a further surge as temporary alternatives to unemployment such as further study finish.
- We face into the search for an economic turnaround with a huge number of workers that have been displaced from sectors like construction and that will not easily find jobs by expanding export sectors.
- A 'Jobless Recovery' is a real threat unless new opportunities can be opened up.

1.2 Sustainable Enterprise Crowded Out by the Debt-Fuelled Boom

The problem in Ireland is that between the years 2000 and 2007, demand was allowed to become fundamentally imbalanced in the economy by the credit-fuelled 'party-time' philosophy. It drove a disproportionate growth in building and construction, but also in Government and consumer spending at the expense of exports and enterprise investment. It distorted the rewards to different enterprises, so that those engaging in speculation enjoyed far greater profitability than those who were genuinely creating innovative products or services for which there were willing buyers. It damaged the cost base of the economy particularly in non-traded sectors. It gradually eroded the competitive position of sectors exposed to international trade. More fundamentally it created complacency about economic policy and fostered a culture that was hostile to reform.

1.3 The Challenge Ahead

The big challenge for Ireland is to develop a strategy that will allow sustainable enterprises to emerge from this crisis, capable of creating jobs. Job creation is central to any recovery strategy. Every person who leaves the dole and goes back to work reduces the deficit by an estimated €20,000, spends on average an additional €15,000 on goods and services and also reduces the risk on the banks' mortgage books.

However, if you look at a longer-term perspective the case is even more compelling. Ireland is unique in Europe in still enjoying a rapidly growing labour force as well as educated people emerging from our schools. If these people have no other choice but to emigrate and bring their skills overseas, this will inflict huge damage on the long-term dynamism of our economy.

Our policy is framed and informed by the knowledge that Government does not create jobs: people and businesses do. The role of Government is to help create the environment in which jobs will be created and support employers and employees in any way it can.

The ESRI believes that Ireland has the capacity to generate a net increase of 100,000 jobs over the next five years[1]. This is a realistic ambition for a new Government to set itself. It will plainly need a dramatic transformation of recent trends.

Job creation in any economy fundamentally depends on four factors.

- **Sustainable Demand** – Protecting Investment and Competitive Tax Rates
- **Enterprise Capability** – Helping Irish Businesses Grow their Markets
- **Labour Market Activation** – Matching People to Opportunities
- **A Competitive Location** – Reducing Costs, Red Tape and Bad Regulations

It is useful to think of these elements as a pyramid. Each element needs to be properly balanced within itself. However, each also depends fundamentally on the foundation of a sound layer beneath to sustain it.

[1] ESRI Recovery Scenarios, An Update, July 2010

Section 2 – Sustainable Demand

A Plan to Protect Investment and Competitive Taxes

2.1 Restoring Balance to the Public Finances

Ireland now relies on other Governments and international institutions to fund our State and financial system. That Ireland has been brought to this tragic juncture in our history reflects a massive loss of market and international political confidence in this Government's economic policies.

The result has been a steady deterioration in credit conditions for Irish enterprises, making a jobs-intensive recovery in the domestic economy difficult to achieve.

Bringing order back to our public finances is now crucial to restoring domestic and international confidence in our economy, to opening up credit availability for enterprise and to providing a predictable and supportive environment for job creation.

But we also recognise that we cannot repair the public finances if we do not also succeed in getting people back to work and in cleaning up our banks in a way that does not bankrupt the State. In this way, our policies on jobs, the public finances and banking must be rolled out in parallel and reinforce each other.

Fine Gael accepts the fiscal targets set out in the Four Year National Recovery Plan, including the 3% of GDP deficit target by 2014. We will review the scale, pace and timeframe of the fiscal adjustment with the EU and IMF on an annual basis to take into account developments in the real economy.

Our Budgetary Programme sets out a 3-year, €9 billion deficit reduction programme which will, alongside the measures set out in this document to support growth and job creation, bring order back to our public finances in a fair and credible manner by 2014. If elected to Government, Fine Gael will produce rolling three year budget programmes that will set out the additional deficit reduction measures needed to deliver a surplus of revenues over day-to-day spending by 2016, on the basis that Ireland achieves the minimum growth rates projected under the ESRI's Recovery Scenarios. By the end of the next Dáil, a Fine Gael Government will only borrow to finance the investments needed to support a growing economy and population.

2.2 Tackling the Deficit in a Way that Supports Growth and Jobs

International experience clearly shows that reductions in spending are more effective at fixing deficits and better for growth and jobs than increasing tax. The IMF's latest research says that "fiscal contraction that relies on spending cuts tends to have smaller contractionary effects than tax-based adjustments." They find that taxation rises are twice as deflationary for domestic demand as spending cuts. Tax hikes on average raise the unemployment rate by three times more than spending cuts. Previous academic studies find similar conclusions.

That is why, under a Fine Gael Government, savings in public expenditure through radical reform of the way Government works will constitute at least two-thirds of the measures needed to balance the budget. This will return the economy to the success of the late 1990s when the Irish economy was returning to full employment through strong export-led growth, while also enjoying a steady improvement in public services.

This strategy allows Fine Gael to avoid the types of tax increases on work and enterprise being proposed by other parties that could derail economic recovery and a return to full employment.

2.3 Maintaining Competitive Tax rates on Employment and Investment

A major strength of the Irish tax system has been the relatively low "tax wedge" on work – the difference between the wage bill for an employer and the take-home pay for an employee. The low tax wedge on employment and competitive direct tax rates on business together were vital ingredients in Ireland's return to full employment in the late 1990s. At a time of mass unemployment, now is not the time to ditch this tax model.

2.3.1 Corporation Profit Tax

Fine Gael commits to maintaining the **Corporation Profit Tax** rate at 12.5%. Our low corporation profit tax rate remains one of the key policies that draws foreign direct investment into Ireland, fosters innovation and keeps multi-national companies from leaving for lower cost locations.

2.3.2 Income tax

Ireland is not a low tax country when it comes to income tax. This is borne out by the recently published KPMG tax survey which shows that Ireland is a middle-ranking country when in comes to income tax.

That is why Fine Gael opposes any proposals to raise either the standard 20% or the top 41% rate of income tax. Adding the top 41% income tax rate, 4% employees' PRSI and the top 7% Universal Social Contribution, the marginal rate is already 52% for income earned over €32,700 per annum and rises to 55% for the self-employed earning over €100,000 per annum.

Increasing the marginal rate further would be counterproductive. It would discourage people from working harder, doing overtime and aiming for promotion. It would also inhibit companies from creating and locating highly-paid knowledge economy jobs in Ireland. It would push more self-employed people into the grey economy.

Income tax yields should instead be increased by restricting or eliminating tax expenditures, tax shelters and tax exemptions to ensure that more people pay tax and the wealthy cannot avoid paying their fair share, not by increasing the marginal tax rate.

2.3.3 Employers' PRSI

There are additional taxes on employment such as Employers' PRSI which can be as high at 10.75%. To help employers hire people off the dole, we will halve Employers' PRSI on jobs paying up to €356 per week for three years.

2.3.4 VAT

The rise in the standard 21% rate of VAT proposed by this Government should be accompanied by a temporary (3-year) cut of at least 1.5% in the reduced 13.5% rate of VAT on labour-intensive services (construction, hotels, restaurants, hairdressing, newspapers etc.), bringing it down to 12%. This will boost the competitiveness of our tourism sector and help divert domestic consumer spending from import-intensive goods into labour-intensive domestic services.

2.3.5 Stimulating Demand by Pre-Announcing Closure of Home Energy Programmes

There are other innovative ways to support spending while also repairing the public finances. For example, we aim to **accelerate the Home Insulation Programme** in 2012-13 by announcing the closure of the various home improvement grants in December 2013. We will pre-announce the end of taxpayer subsidies for residential and commercial energy saving technologies in 2013, thereby helping to achieve fiscal targets while also stimulating extra activity in this area as people accelerate investment plans. Following on from 2013, work will shift to a 'Pay as you Save' scheme for households.

2.4 NewERA Public Investment and Reform Programme

We recognise that whatever way we tackle the deficit, the measures needed to balance the budget by 2016 will exert a significant deflationary impact on the economy. That is why, as confidence in Ireland is restored, Fine Gael will put in place a parallel, commercially-financed investment programme in key networks of the economy to support demand and employment in the short-term and to provide the basis for sustainable, export-led jobs and growth for the next generation.

Under Fine Gael's NewERA plan, streamlined and restructured semi-State companies will invest an additional €7 billion, over and above current plans, over the next four years in "next generation" infrastructures in energy, broadband, forestry and water.

The key utility networks targeted for additional investment under NewERA – water, broadband and energy – have been identified by the National Competitiveness Council, the OECD and the European Commission as key weaknesses for the Irish economy and sources of high costs for business. Higher investment in these sectors is likely to have a significantly positive long-run impact on business costs and external competitiveness.

These investments – and the accompanying semi-State restructuring process – will be financed and pro-actively managed by a new State holding company, the New Economy and Recovery Authority (NewERA), which will absorb the National Pensions Reserve Fund Commission. Approximately €6bn remains in the NTPF in discretionary investments that have not been committed to the banks.

In discussions with the IMF, Fine Gael has confirmed that funds from the National Pension Reserve Fund and proceeds from the sale of State assets remain available, under conditions to be agreed, to finance the NewERA investment programme.

These will be profitable, commercial investments, repaid by charges on users, businesses and consumers. In this way, these investments will not count as Government expenditure, and their benefits to jobs, growth and taxation will underpin fiscal consolidation.

We propose to invest an additional €7 billion over four years as follows:

A New Water Network (up to €2bn): Fine Gael will create Irish Water, a new State company that will take over the water investment and maintenance programmes of the 34 existing local authorities. It will supervise and accelerate the planned investments needed to upgrade the State's inefficient and leaking water network which has proved so unreliable during recent harsh weather conditions. The additional investment needed will be repaid by charging businesses and, in time, domestic consumers for metered clean water. The establishment of *Irish Water* will allow us to take off-balance sheet the €3.4 billion earmarked for investment in water services between 2011 and 2016.

A Next Generation Telecoms Network (up to €2bn): Co-operating and co-investing with Eircom, UPC and other telecommunications companies to provide Next Generation Access (high-speed broadband) to every home and business in the State. This will be achieved by delivering fibre to the home or kerb for 90% of homes and businesses in Ireland with the remaining 10% provided with high-speed mobile or wireless broadband. The €2 billion figure is based on the State funding of 66% of the cost of the project as calculated by the Telecommunications and Internet Federation (TIF).

This will be done through *Broadband 21*, a new joint venture company which will also manage the MANs and other State-owned telecommunications infrastructure currently managed by ESB-T, Aurora, the NRA, CIE and Waterways Ireland.

Renewable Energy and the "Smart Grid" (up to €2bn): NewERA will invest €2 billion through the semi-States to upgrade the electricity grid to take more wind and ocean energy, provide for electric vehicles and install smart meters for all homes and businesses. Money will also be invested in wind farms and other renewable energy projects. It is clear that this will not be done under current laissez- faire policies.

This increase in investment can be done without damaging our cost competitiveness in the energy sector through other cost efficiency measures as set out in section 5.6.

Bio-Energy and Forestry (€1bn): To accelerate the development of Ireland's forestry and bio-energy industries, NewERA will merge together Bord na Mona and Coillte to create and finance a new State company called BioEnergy Ireland to invest €1 billion in the period 2011-15 to become a global leader in the commercialisation of next generation bio-energy technologies for transport, for home and district heating and for power generation, including an annual 14,700 hectare afforestation programme.

Sales of State Assets

Over time, we also propose to finance the investment programme from the sale of certain State assets. We will only sell State assets, however, if the sale coheres with the following principles:

- The asset is not a monopoly or of strategic importance to the State. We will not repeat the mistake of Eircom by selling off a strategic asset which is a natural monopoly. As a result, we would retain ESB Networks and Eirgrid (which we will merge) and the national electricity grid in majority state ownership along with Bord Gais Networks, Coillte and Bord na Mona. An Post and RTE will not be considered for privatisation.
- The asset is sold for the best price possible which may mean deferring sales until market conditions improve.

- If there is no economic and social case for a company remaining in State ownership it should not remain in State ownership.
- The staff of any company sold are given a share in the company subject to their co-operation.

Applying these principles, Fine Gael sees no impediment to selling:

- Bord Gais Energy
- ESB Power Generation (excluding the hydro plants)
- The ESB Customer Supply Companies
- RTENL (the mast and towers but not the TV or Radio stations)

Davy Stockbrokers estimate that Ireland could raise €4 billion from a trade sale of Bord Gais Energy, ESB Power Generation and ESB Supply alone.

If it proves necessary to finance the investment programme, we will also consider sales of minority stakes in the electricity, gas and water networks, with the State remaining in majority control.

We will also appoint a committee to examine the accounts and cost base of the semi-States – **a 'Bord Snip' for the semi-States** – to recommend ways to reduce costs and improve efficiencies in each company with a view to passing on any savings to customers.

Section 3 – Supporting Irish Business

Innovate, Market, Sell

3.1 Many Irish-Owned Companies Need to Upgrade

There are over 300,000 enterprises in the country and they face different types of problems. They have different capabilities in management and in operations and offer different opportunities for developing employment.

One of the problems with Ireland's enterprise structure is that it has a high concentration in labour intensive and low sophistication businesses and also a significantly high concentration in high-wage, high-sophisticated businesses, mostly foreign-owned. There is a small globalised sector operating effectively in international markets, but large swathes of Irish enterprise have not lifted their horizons beyond the home market. Almost 90% of Ireland's exports come from foreign-owned companies which represent no more than 8% of the Irish workforce. The one big exception to this is internationally traded services but, in overall terms, the Irish-owned segment of this represents just 3% of employment.

The domestic boom built up a very large sheltered sector of the economy which was largely immune from competition and which developed a pattern of extremely high costs. Some parts of the sheltered sector have been forced to adjust quickly to the lower spending capacity in the economy and have brought prices and costs well down. Others have resisted this and the complacent attitude of Government towards competition policy has bolstered their position.

3.2 Reform of Enterprise Development Programmes

The Enterprise Agencies will set the target of **increasing their impact by 10% per year** in respect of:

- The emergence of bankable business projects from assisted companies.
- Opening up new segments in export markets for assisted companies.
- Improvement in productivity and competitiveness of assisted companies.

While attracting large scale foreign investors will continue to play a vital role in investment and job creation, it is clear the knowledge economy is throwing up more smaller-scale, high-value business which we must build within the economy and attract to Ireland. They are in a wide variety of sectors building on unique design or brand power – digital media, cloud computing, entertainment, medical business service, financial services, software etc. These businesses are built around the flare of one or two individuals and need a different set of incentives.

The Enterprise Agencies will report within three months on the adequacy of existing policy to tap this potential.

Enterprise Ireland will assess the capacity of getting a wider spectrum of companies to frame development strategies that can grow employment in a 'Low to High' initiative. It will recognise the differing potential and constraints facing start-ups, lifestyle businesses, survivors in challenged sectors, and high potential companies and would customise responses to their very differing needs.

3.3 A Single Business Tax for Micro Enterprise

The future of the economy depends on people having the ingenuity and the courage to set up a new business. The banks are not supporting them and the current Government has ignored them for too long. The complexity and risks of starting up a business are too daunting.

Fine Gael will seek to give entrepreneurs the freedom they need to allow them to sustain themselves, create jobs, and contribute back to the economy.

Similar to what has been achieved under the "auto-entrepreneur" scheme in France, Fine Gael will direct the Revenue Commissioners to examine the feasibility of introducing – on a revenue neutral basis – a Single Business Tax for micro enterprises (with a turnover of less than €75,000 per annum) to replace all the existing taxes on sole traders and small businesses (i.e. income tax, corporation tax, capital gains tax, VAT and PRSI). This could reduce tax compliance costs and make starting a business much less daunting for young entrepreneurs.

At the same time, we will credit new start-ups with full (combined employer and employee) PRSI contributions for three years (with the associated entitlement to jobseekers' benefit if the business fails), at which point it could be continued by paying the full combined employer and employee contributions.

For micro businesses, we will also consider a set of exemptions from employment regulations, designed for bigger business, which would only be applied after the micro business has expanded to a larger scale.

3.4 Improving Access to Finance for Business

Despite promises of a 'wall of cash' by the Minister for Finance, NAMA has failed to restore adequate credit flows into the economy, starving Irish enterprises of the funds needed for survival and expansion.

As will be set out in our banking policy, a Fine Gael Government will strengthen efforts to get credit to viable businesses. Most important will be the new negotiations with the EU and IMF to ensure adequate capital and funding for Irish banks at an affordable cost for customers and taxpayers.

A Temporary, Partial Loan Guarantee Scheme

The problem is not just inadequate capital and funding for the banks; the banks have also forgotten how to assess credit applications from businesses whose repayment promises are underpinned by future cash-flow projections rather than property collateral. That is partly why they are shutting out viable businesses.

To get banks lending again to industry and entrepreneurs, a Fine Gael Government will implement a temporary, partial credit guarantee scheme that will provide a level of insurance to the banks against losses on qualifying loans to job-creating firms.

Successful schemes in other countries, such as Chile, have cost the taxpayer nothing while supporting recovery from a banking crisis by helping to build new, sustainable relationships between banks and solid businesses. Fine Gael will introduce a loan guarantee scheme for small and medium sized businesses based on the following operational principles:

- Risk-sharing between financial institutions and the State.
- Auctioning of loan guarantee contracts to financial institutions.
- An emphasis on micro and export-oriented companies.
- And exclusion of institutions that approve high rates of non-performing loans.

A Micro Finance Start Up Fund

Banks are unlikely to ever become a major source of financing for start-ups and early stage entrepreneurs, but the absence of sufficient equity and debt finance in this area could impede robust economic recovery.

Drawing from funding from the NPRF and private institutional funds, we will construct a €100 million Microfinance Start-Up Fund which will provide start-up loans and equity to new businesses. Private not-for-profit organisations like First Step, Chambers of Commerce or Local Business Units in the City and County Councils could apply for capital from the Fund for investment in local start-ups.

Financing for High-Tech, High-Potential Firms

Technology-intensive, export-led growth can be underpinned by ensuring that home-grown technology companies here have access to finance that more traditional lenders in Ireland have been reluctant to supply.

That is why Fine Gael – alongside the restructuring of the domestic banking system – will also support the development of a more dynamic, venture capital industry in Ireland by attracting top-tier venture financing and investment companies to Ireland, as recommended by the Report of the Innovation Taskforce.

Silicon Valley Bank, for example, provides unique, flexible financing solutions for some of the most technology-focused entrepreneurial companies in the world. The new UK Coalition Government has persuaded it to establish offices in the UK, and a new Fine Gael Government will seek to entice it to establish offices in Ireland.

Additional Business Investment Tax Relief

We will give firms of less than 50 employees and annual turnover and / or annual balance sheet of less than €10 million a **40% first year capital allowance** on all investments in plant and machinery.

We will not raise **Capital Gains Tax** on the sale of equity investments in Irish businesses.

3.5 Encouraging a Shift to Export-Driven Growth

We will task Enterprise Ireland with establishing a '**Home to Export Programme'** that seeks to share the expertise of established exporting companies with companies who have traditionally concentrated on domestic markets. Ireland's foreign representation will be refocused on generating export sales.

A single portal **'Source Ireland'** will be developed to help market Irish goods and services abroad in an effective and accessible manner. A high profile Ambassador who could strengthen exports will be considered.

We will extend the **13A VAT regime** from exporters of goods to **exporters of services** from Ireland. This means that service companies that export more than 90% of their output will become VAT exempt, improving their cash-flows and cutting down on red tape.

We will also legislate for **Venture Capital Trusts**, under which established – often multinational – companies could receive tax credits for both funding and mentoring emerging Irish-owned companies into international markets.

3.6 A New Asia Strategy

The **Asia Strategy** 1999-2009 was a success. During this period, Irish goods exports to China increased fourteen-fold from €119 million in 1999 to €1.6 billion in 2009. Goods imports increased by almost three-fold from €656 million in 1999 to over €2 billion in 2009. On the services side, Ireland's performance was even more impressive with exports increasing 22-fold from €63 million to €1.4 billion in the five year period between 2003 and 2008. During the same period, imports of services boomed from €28 million to €392 million. As a result, Ireland has significantly narrowed its trade deficit with China from over €4 billion in 2006 to about €1 billion in 2008.

A Fine Gael Government will direct the Department of Enterprise, Trade and Innovation to develop a new Asian Strategy for Trade from 2011-2025 with the aim of **trebling bi-lateral trade** during this period, focusing on the following opportunities:

Asian Tourism: there is also huge potential for tourists coming from Asia to Ireland. If only 0.1% of the new Asian middle-class visited Ireland, that would mean two million visitors a year. Our non-participation in Schengen creates similar problems as Asians must get a separate visa to enter Ireland. Last year, a visa waiver was introduced for Taiwan but no airport statistics were collected on the increase in numbers, if any, of Taiwanese coming to Ireland. With this aim in mind, we will instigate a major review of our visa system.

Foreign Direct Investment from Asia: The IDA has successfully marketed Ireland as an investment location and EMEA headquarters for U.S. multi-nationals. The same approach should be taken to promoting Ireland as a location for Asian multi-national investment given our low tax rates, skilled workforce, falling costs, language and membership of the Euro and EU. Asian business leaders find it very difficult to get visas to enter Ireland. In many cases, wealthy investors and traders find it hard to enter Ireland legally but are welcomed in other EU states.

Exports to Asia: France, Switzerland and Italy have already secured significant market share selling high quality food and fashions in Asia largely built on a reputation for quality and luxury. Ireland should take a leaf out of their book in promoting Irish food, drinks, crystal and luxury goods in Asia. This must involve co-operation between industry and Government and industry should make a contribution to the cost. A similar approach can be taken to promoting the arts and culture.

International Education: There is huge potential for Ireland to become a destination for undergraduate and post-graduate students from Asia. Approximately 100,000 South Korean students go abroad to learn English but only a few hundred come to Ireland. Government funding should be made available to fund chairs in Asian universities on Irish studies and Asian studies here in Ireland. Irish businesses should provide scholarships for Irish students to study in Asian universities and for Asian students to come here. A similar approach could be taken with internships.

3.7 Supporting Research and Technology Development and Absorption

We will amend the R&D tax credit regime to make it more attractive and accessible to smaller businesses, in the following ways:

- Companies with R&D expenditures of under €100,000 will be entitled to full tax credit on those entire expenditures as opposed to just the increment over the base year, with marginal relief for companies with expenditure just over €100,000.
- We will allow companies to offset the R&D credit against employers' PRSI as an alternative to corporation tax.
- To cut down on red tape in the applications process, companies in receipt of a Research, Technology and Innovation (RTI) grant from one of the development agencies will be automatically deemed as entitled to the R&D tax credit.

We will accelerate capital allowances on **software purchases** against income tax and corporation profits tax from eight to three years. This will not only support local, high-tech jobs in the software industry and will facilitate improvements in productivity across the economy.

We will pioneer, within the EU, a model of 'fair use' in **European Copyright Law**, like in the USA, which effectively permits the use of portions of a copyrighted work so long as the normal economic exploitation of the originating work is not undermined. This will allow internet companies and other digital innovators to bring their services to market.

We will also develop a **National Intellectual Property (IP) protocol** to give predictability about the terms on which business can access IP created in Higher Education Institutions.

We will also examine the feasibility of introducing a zero VAT rating for Higher Education research facilities, which would allow them to recover VAT on input costs such as equipment.

3.8 Digital Island

We want to develop Ireland as a '**digital island'** and first-mover when it comes to information technology and cloud computing. Government must take a more active role in moving the Irish economy online and in providing more services through a digital medium.

- We will establish an E-day on January 1st 2016 by which all Government services to business will be online only. We will approach it in the way that we did the Euro changeover.
- We will ensure that all payments to Government department and agencies can be made electronically.
- We will shift taxes away from debit cards and credit cards to cheques.
- We will invest in ICT in schools. All children should have an electronic notebook and should be able to use digital textbooks.
- In the healthcare sector, we will invest in information technology so that hospitals and primary care centres can share information about blood test and x-ray and will allow for all referrals to be made online.
- We will enable all licences and permit applications for business to be carried out online.
- More and more public services to individuals will go digital such as applications for passport renewal, driving tests etc. There will be financial incentives for using the online mechanism and in time, services will be available online only.
- We will make Ireland a leader in the emerging I.T. market of cloud computing, an industry potentially worth €9.5bn by 2014 to the Irish economy, by promoting greater use of cloud computing in the public sector. Also by organising existing State supports for cloud computing into a package to promote Ireland as a progressive place for I.T. investment.

3.9 Diverting Domestic Spending to Support Local, High Potential Enterprises

We will use **Public Procurement** as a tool to support innovative Irish firms. The proportion of Irish State procurement that goes overseas is ten times greater than the EU average. We will introduce a quota into public procurement for SMEs and ensure that pre-tender conditions and handling of procurement documents does not act to block SME participation. The capital programme will be re-assessed to prioritise projects with the highest returns, taking into account the local employment content of the projects.

We will also direct the IDA to back initiatives in **mentoring, procurement and outsourcing by FDI companies.** One of our major competitive advantages is the presence in Ireland of companies with major international reputations and experience. The IDA has successfully encouraged some of these to invest in Ireland as a location for R&D. This needs to be deepened. Equally important is tapping the potential of these companies to do more procurement within Ireland.

3.10 Exploiting High Potential Sector Opportunities

International Education

The **international education** sector is worth billions globally with over three million students studying abroad. Ireland currently only holds 1% of the market. Fine Gael aims to double the number of international students in five years, bringing revenue in this sector to €1.8 billion annually and creating at least 6,000 jobs. Fine Gael's plan involves a radical overhaul of the student visa system. The Fine Gael plan will also fast track visas from key markets, provide Green Cards for PhD graduates in high growth sectors of the economy, develop Ireland as a training centre of excellence and exploit the potential of the diaspora worldwide to develop the sector.

International Financial Services

A Fine Gael Government will establish a dedicated new public-private partnership to **promote the IFSC,** particularly in South East Asia, the Middle East and South America. The Financial Regulator should have the ability to make rapid assessments of new business proposals. We need to implement EU Directives and it is important that we can demonstrate high standards of regulation in the IFSC but there are national discretions allowable within the directives and we should avail of them where they clearly do not dilute regulatory standards.

The Digital Gaming Industry

In the last seven years, jobs in the **gaming industry** have grown four-fold to 1,400 people. New consoles such as the Nintendo Wii have proved hugely popular, broadening the appeal of games by promoting them as an activity for the whole family. In addition, the rise of casual gaming, apps and smart phones have revolutionised digital gaming design. Ireland has traditionally performed strongly in the creative industries such as film and animation and with the right supports in place digital gaming can be the next big creative industry in Ireland. Fine Gael will set aside €10 million from Innovation Fund Ireland for a seed capital scheme for Irish digital gaming start-ups to expand the industry from the ground up. We will introduce a digital media component to Transition Year programmes and promote Ireland as digital gaming hub.

Tourism

We will fully abolish the **travel tax** subject to a deal being agreed with Ryanair and Aer Lingus to re-open closed routes and bring more tourists into Ireland.

Section 4 – Labour Market Activation

Matching People to New Opportunities

4.1 Ireland Has Weak Activation Measures

One of Ireland's strengths in recent years has been the skill and flexibility of the labour force. This is certainly borne out by international comparisons, where Ireland shows remarkably strongly in terms of 3rd level participation rates and a positive perception of the quality of our education system.

Unfortunately, the recent recession has also exposed the weak points in the Irish education and training systems. Early school leaving has remained persistently high and many young men were drawn out of education into the booming building sector. Training became too focused on activities in the sheltered sector of the economy, particularly construction.

Almost 200,000 male production workers have been displaced by the recent recession. This is more than the entire workforce employed in manufacturing in Ireland.

The Irish education system has also been traditionally weak in applying ICT techniques to modernise teaching methods and in achieving high exposure to maths and science. This has been repeatedly highlighted by foreign-owned companies as a constraint on their ability to develop and move up the value chain. A major overhaul of training and education is clearly necessary to meet the scale of the challenge and this will have to be achieved against a background of diminishing resources.

Less than 3% of Irish workers are actually employed at the minimum wage. Those earning the lowest levels of pay are not the primary source of Ireland's competitive disadvantage. A greater source of difficulty is the various legal wage rates in particular sectors which have been set above the statutory minimum wage. These arrangements are quite archaic and are being challenged in the courts.

They have in the last two years posed a problem for adjustment in the hotel and construction sector.

Traditional weaknesses in policy with respect to life-long learning, lack of activation of people who are out of work, unemployment traps, all pose a huge challenge to our ability to solve the unemployment crisis. Ireland has been rightly criticised by international commentators, noticeably the OECD, for its very weak approach to supporting people who become unemployed in getting back to work. In recent years the return for a person on social welfare on taking up a job has been squeezed as welfare rates have risen more rapidly than wages. The replacement ratios have risen and will rise further as a result of the Budget which introduced a disproportionate cut in minimum wage rates and subjected them to levies.

Other features of the welfare system have been more insidious in that respect. In particular the manner of support for housing costs which immediately switches off if you take up a full-time job has created a serious unemployment trap as has the 18 month unemployment period before you can qualify for the Rent Accommodation Scheme.

Ireland has also been slow to invest in the sort of supports that activate people who are unemployed to become more engaged in the labour force. Initiatives such as job clubs and other measures to make people job-ready are thin on the ground. Many of the community employment programmes have become long-term activities doing good work in the communities, but doing little to help people get back into the open labour market. There has been little obligation on people to engage.

Clearly this approach can no longer be afforded in an economy where huge numbers are becoming unemployed and almost half of the unemployed are already classified as long-term, having been over one year out of work.

4.2 Welfare to Work Reforms

The single **Payments & Entitlements Service** planned by Fine Gael will be strengthened to offer earlier intervention to support those losing jobs to remain engaged with the labour market. Among the measures that will be introduced will be:

- a requirement for under 25s to maintain a **Jobs Diary** recording search experience and skill enhancement activities, with sanctions for unreasonable rejections of training and job opportunities;
- a reduction in the frequency of signing on in favour of a more meaningful schedule of **engagement** with Jobseekers;
- A specific focus by the PES to **match up available talent** on the live register with existing vacancies in Irish companies;
- **conversion of rent supplement** and other secondary benefits into means-related supports that are unaffected by working status (with tapered withdrawal);

4.3 Keeping Young Talent at Home

We risk losing our young talent to emigration. Emigration of young Irish people doubled in the last two years and is heading for 60,000 this year – the equivalent of the entire cohort of school leavers in one year. To provide a wider range of opportunities, Fine Gael will create over 45,000 additional work experience, training, and internship opportunities.

National Internship Programme (23,000 places). This will offer part-time one-year placements in the public service, private sector and voluntary sector for unemployed graduates to gain valuable experience while studying for a masters or diploma.

They will be paid the entry-level going rate and will get a €3,000 bursary to help fund their higher education. Among the positions available will be classroom and teaching assistants in schools and nursing assistants in hospitals. IDA Ireland and Enterprise Ireland will be explicitly mandated to develop 5,000 work experience placements in the companies that they support.

Second Chance Education (17,000 places). This will offer former retail and construction workers that did not finish school or to college 'back to education'. placements for two years. Participants will receive a premium payment of €20 per week on top of their social welfare payment, a €500 contribution to book costs and a €3,000 completion bonus.

Apprenticeship Guarantee (700 places). This will offer unemployment craft apprentices direct employment by the State, agencies or semi-States until their apprenticeship is completed.

Community Employment (5,000 places). This will offer community employment places to people currently on the live register. We will reform community employment to make it more market-orientated with many more placements in private sector businesses. With this aim in mind, we will cut the length of the standard Community Employment Scheme to six months, except for specific progression purposes, and strengthen the programme with regard to job search support.

Better Training Opportunities for the Over 25s. As part of our wider public sector reform plans we intend to establish a single Payments and Entitlements Service to overhaul the way training is provided for the unemployed. Replacing the traditional centralised FAS structure, this new service will provide extensive skills assessment, training guidance and job referral services to the unemployed. Training vouchers would be issued to the unemployed to seek training opportunities that best addresses their individual needs. The result is a quicker return to the workforce as no longer will people have to sit through redundant, unnecessary or unsuitable training courses for the sake of it.

4.4 Escaping Bankruptcy

To link people with new opportunities, we must help those who have fallen into bankruptcy to play a part in the economy again.

Current Irish bankruptcy laws are not fit for purpose. They are unpractical, unused, excessively costly, and overly penal. Current laws are set by the Bankruptcy Act 1988 and are not designed for the current crisis.

A fairer bankruptcy regime that gives entrepreneurs confidence that business failure will not result in a life of indebtedness is vital if we are to encourage more job creation. Survey evidence suggests that fear of bankruptcy is one of the most important reasons given by individuals for not starting their own business.

And the "severity" of bankruptcy law, measured as the number of years a bankrupt must wait until they are discharged from pre-bankruptcy indebtedness, is the most important factor impacting the levels of self-employment across countries.

In Germany and the Netherlands, reforms of bankruptcy law resulted in a 9% and 8% increase in the average level of entrepreneurial activity respectively.

That is why Fine Gael in Government will fast-track the substantial reforms needed for our bankruptcy legislation to bring us into line with best international standards, focusing on the following elements:

- Setting up a flexible bankruptcy system, similar to Northern Ireland. The courts will be able to set bankruptcy terms depending on each individual's circumstances. Reducing the time to discharge from bankruptcy for "**honest bankrupts**", defined as one that has materially complied with the Tax, NAMA and Companies Acts among others;

- **An Out of Court Debt Settlement System** that will change bankruptcy from a judicial to an administrative process, with filings being made with the Office of the Director of Corporate Enforcement without the need for legal representation;

- **New Commercial Voluntary Debt Plans**, which are legally binding arrangements between the directors of a company and their creditors (at least 75%) that would protect the debtor from interest charges and the threat of enforcement during the period of the life of the debt plan;

- **A Limited Residence and Personal Assets Safe Harbour** that will permit a bankrupt to ring fence from the bankruptcy process ownership of a principal private residence (within limits based on size, value and family numbers) and specified personal assets not to exceed €40,000 in value; and

- **A Prohibition against Discrimination against Discharged Bankrupts** to ensure that former bankrupts are treated fairly in their applications for credit or other services.

4.5 Excellence in Education and Innovation

Ireland's ambition to become an innovation hub will require concerted action across a whole range of areas to achieve what the Innovation Taskforce describes as an innovation eco-system.

We cannot afford to ignore the evidence that Ireland is slipping in its standards of education in international rankings. We need a much more focused debate about the outcomes of investment in education, not just the traditional debate about inputs. Fine Gael is committed to:

- Setting benchmarks of excellence in outcomes that policy would pursue.
- Developing greater emphasis on innovation and problem-solving within the education system both in what is taught and what is examined as these are key factors in an innovation strategy.
- Applying greater scrutiny to the investment in research which is essential for the repositioning of the Irish economy. This area of investment is too important to be left to chance.
- Seeking to apply international best practice in building the link between research and enterprise which is key to the successful application of knowledge in these sectors alone.

Section 5 – A Competitive Location

Reducing Costs, Red Tape and Bad Regulations

5.1 Ireland Still Has Not Recovered Its Cost Competitiveness

Wage levels in Ireland became uncompetitive over the past decade. Average total labour costs entered this recession about 13% higher than in the rest of the Eurozone. This includes the employer's cost of social security which, at 11% in Ireland, is less than half the Eurozone average. So this implies that Irish wages themselves were running over 20% higher.

In contrast, in the industrial sector – the most exposed to international competition – labour costs in Ireland were over 13% below the euro area average. The implication is that wages in sheltered sectors of the Irish economy are very far out of line with those in our main trading partners. Clearly this is in both the public and the private parts of the sheltered sector.

A dogged problem for many trading companies is the uncompetitive price and quality of many of the inputs upon which they depend. The National Competitiveness Council (NCC) analyses these each year and finds Ireland in the red zone, close to the very top of the league, in respect of the costs of rent, of waste disposal and of legal costs. In the next amber zone representing costs in the top half of Euro zone countries, they rate electricity, mobile phones, broadband costs, water costs, the costs of accountancy services and the cost of health insurance. Clearly the uncompetitive delivery of vital services that are the arteries of a strong economy is a major problem in Ireland.

Almost 60% of all price and quality indices that NCC place in the red zone fall within the responsibility of Government. Many are flashing amber, as long-called-for reforms have been put on the back burner.

For many years Ireland prided itself on being the highest performer in respect of productivity growth in the EU. Much of this was driven of course by the growth of high productivity of foreign-owned companies. This changed dramatically during the property boom. The impetus for productivity growth in sheltered sectors both public and private has been low and undermines the sustainability of the high-wage economy that Ireland developed.

5.2 Efficient and Effective Government Administration

Just as successful enterprises are vital to creating the resources that can fund our public services, so are well-run public services increasingly vital to sustaining successful enterprises. We have seen at our cost how a lax approach to governance and the management of the public service has had catastrophic consequences in this country. It failed to deliver on big ambitions that it set out. It failed to protect genuine enterprises that were built in sustainable markets from the catastrophic consequences of a property bubble. It has become too big and too expensive.

Fine Gael's Public Service reform plan, *Reinventing Government*, is a vital cornerstone for economic renewal. Our strategy sets out how:

- a smaller and more strategic leadership with new blood will strengthen management and deliver real reform;
- money for Government Departments and agencies will be tied to performance targets and responsibility will be pinned down and real accountability asserted;
- greater openness to cheaper options from outside the public service will create new opportunities for our enterprise sector; and
- more citizens' choice – rather than the traditional centralised approaches – will harness the opportunity for innovation and diversity in public service delivery.

Not only will a reformed public service be cheaper to run, but its new dynamism will also support enterprise development.

5.3 Red Tape Reduction to Protect Employment

Irish businesses face regulatory inspections from a growing range of Government bodies, such as the National Employment Rights Authority (employment law), the Health and Safety Authority (safety laws), local authorities (health regulations) and the National Consumer Agency (pricing and consumer laws).

The rules themselves are intended to achieve important economic, social and environment goals, but the compliance procedures and inspections are often uncoordinated and repetitious in terms of the information demands.

For example, small businesses are expected to complete almost 110 core forms per annum to comply with the requirements of many other State bodies including the Revenue Commissioners, the CSO, the Companies Registrations Office and several Government Departments. Many of these forms need to be filled out several times, and there can be up to 100 questions per form.

Based on the UK experience, ISME estimates that associated compliance costs are an average of 4% of turnover for small business.

Many countries have recognised that the development of a more streamlined regulatory and compliance environment is a low cost way of promoting small business growth and competitiveness.

Recent Irish Governments have been talking about cutting red tape for over a decade. The current Government has estimated that red tape costs Irish business €2 billion per year and pledged almost three years ago to cut it by €500 million. So far only €50 million has been saved. It cannot blame the recession for this failure.

Unlike this Government, we have a credible plan to cut the red-tape burden for small businesses by 25%, delivering a cut in businesses costs of at least €150 million per year.

A Streamlined Business Inspections and Licensing Authority

Out of a merger and rationalisation of existing structures, we will create a Business Inspection and Licensing Authority (BILA) that absorbs the existing business inspection activities of Departments and agencies, starting with:

- the Health and Safety Authority (safety laws);
- the National Consumer Agency (pricing displays and consumer laws); and
- the Equality Authority.

The BILA will be charged with applying international best practice in regulatory compliance and risk-based enforcement. Public bodies which carry out inspections of business premises and accounts will in time be incentivised to use the BILA to cut down on duplication of information requests and site visits, while protecting the interests of staff, consumers and other stakeholders.

A Single Food Inspectorate

The food sector has huge potential to support extra employment and exports, but is faced with a highly fragmented State regulatory and inspection system. This is placing an excessive compliance and inspection cost burden on food businesses and makes it more difficult to manage food safety risk across the food chain.

Building on the existing Food Safety Authority, we will create a single food safety monitoring agency responsible for food safety inspection from farm to fork. This will enhance the food traceability system and reduce the burden of red tape on business. The activities of the following Departments and agencies will be rationalised under the FSAI:

- The licensing and inspection activities of the Department of Agriculture in the areas of slaughter, cutting and preparation of foods of animal origin;
- Labelling legislation and enforcement activities of the Department of Health;
- Inspections by HSE Environmental Health Officers of food business premises such as catering and retail establishments;

- Inspections by local authorities in smaller premises where slaughter, cutting, preparation, distribution or transport of foods of animal origin takes place;
- Enforcement of food safety rules by the Sea Fisheries Protection Authority;
- Laboratory analysis and risk assessment by the Marine Institute; and
- Compliance assessments with bottled water legislative standards by the National Standards Authority of Ireland.

Other Red Tape Reduction Measures

Fine Gael will inject urgency into the process of cutting red tape. In our first 100 days in Government we will:

- Require all regulation-setting bodies to publish a plan for achieving a reduction of 10% in the cost of their red tape by end 2011 and 25% by end 2012;
- Introduce a "one in, one out" regime, whereby no new regulatory cost can be introduced by Government unless an equivalent cut in existing regulatory cost is achieved;
- Give the Minister for Enterprise the power to veto any new regulation and send it back to the source Department where he considers that the goal it attempts to achieve can be reached in another way at less cost.

In particular, we will:

- Simplify the OTW1 Form, which currently costs businesses **€62 million per year**;
- Exempt start-ups and businesses with a turnover of less than €1 million from a series of Company Law requirements, which currently cost businesses almost **€500 million per year**;
- Introduce Codes of Practice in all industry sectors, and explore other means of reducing the burden on businesses of Risk Assessments and Safety Statements, which currently cost businesses **€235 million per year**;

- **Consolidate** as a matter of urgency existing legislation and regulation affecting business, in particular in company law, employment law, health and safety law;
- Develop a **Unique Business Identifier** for use by all Government departments and agencies that will facilitate the sharing of information within Government and consequently reduce repetitive information requests from businesses;
- **Remove duplication** in returns to Government agencies, in particular Revenue, the CRO and the CSO. Collaboration on form design and data-sharing will be required;
- Allow all companies to base their preliminary corporation tax returns on prior year tax liabilities, reducing their need to hire expensive advisers to estimate their current year tax liabilities before the year is finished;
- Consolidate the seven annual returns to the CSO, and remove quarterly reporting;
- Standardise tender documents and simplify tender procedures, including acceptance of tenders in electronic format;
- Enable all licence and permit applications to be carried out online;
- Transfer to the EPA all environmental licensing functions, and require it to prevent duplication in applications; and
- Combine PRSI and tax data for employees, and simplify PRSI classes.

5.4 Regulatory Impact Assessments

In additional to administrative red tape, regulatory uncertainty is a major factor hampering opportunities in many areas, such as for clinical trials, for new product approval, for alternative energy investments, for visas for those who want to be educated in Ireland, for developments in the fishing sector, etc.

Regulatory Impact Assessments (RIA) were introduced to examine the benefits and costs of new policies and regulations and how regulation can be best designed to achieve the desired social ends at minimum cost to jobs and economic activity.

But recent Governments have not taken the RIA process seriously. Unlike in other countries, Irish assessments are not published before Government makes its decisions, hindering open debate and advance consultation on key regulatory changes.

A Fine Gael Government will require Departments to publish Regulatory Impact Assessments (RIAs) before Government decisions are taken, thereby offering a further channel to obtain the views of civil society on new rules and regulations, over and above those obtained in the consultation process itself.

The existing High Level Forum on Business Regulation will provide a mechanism for a structured dialogue between policy makers and business on specific RIAs. We will mandate the Forum to assess the quality of RIAs prepared by Government Departments, and to require further information and analysis.

5.5 Increased Competition and Removing Barriers to Entry

Anti-competitive practices have been a lingering feature in sheltered areas of the Irish economy. They have pushed up costs for business and families, who are continuing to experience a vicious squeeze on incomes. Despite the far deeper deflation in Ireland than elsewhere in the Euro area, for example, Irish telecoms, energy and professional charges all remain well above average EU levels, in part because the Government has failed to act on over 70 Competition Authority recommendations designed to give consumers better value and to confront excessive concentration of market power.

Anti-competitive practices have also prevented the development of job opportunities in these sectors. Recent studies have found that even modest reforms in opening sheltered sectors can allow an economy to double its productivity growth for a year. After its banking crisis in the early 1990s, Sweden achieved high levels of economic growth in part through deregulation of retail and services sectors.

Institutional Reform to Strengthen Competition Policy and Enforcement

A Fine Gael Government will merge the Competition Authority, the National Consumer Agency (NCA), the Communications Regulator (ComReg), the Broadcasting Authority of Ireland (BAI) and the Commission for Energy Regulation (CER) into a powerful new Competition and Utilities Commission. We will seek to empower the Commission, through constitutional change if necessary, to:

- take civil "**class action**" suits, and seek damages, on behalf of consumers against violators of consumer and competition law;

- impose higher **administrative fines** on violators of competition law. In this regard, we will emulate the UK and other EU countries by moving **the onus of proof** in competition law cases from the new Commission to the organisation allegedly in breach. This will mean that once the Commission publishes a finding that a body is in breach of competition law, that decision will stand, unless successfully appealed to the courts by the body in question;

- issue **binding civil decisions**, which must be accepted by the infringer;

- require Ministers to make "**comply or explain**" responses to competition recommendations by the Commission within 12 months. Over 74 recommendations of the Competition Authority have been ignored by recent Governments. Under Fine Gael, if the Government decides not to implement the recommendations it must publish detailed reasons for doing so; and

- require **universal price displays** of all professional and other service providers, including attendance fees, daily rates and standard charges.

Opening Up Competition in Sheltered Sectors

Fine Gael will implement the following deregulations in specific sectors:

Access to **legal services** will be opened up by:

- allowing direct access to barristers;
- allowing the formation of partnerships among barristers;
- facilitating both barristers and solicitors to designate areas of specialty;
- making lawyers' fees and charges more readily understandable and establish a new structure for the assessment of legal costs in dispute;
- establishing objective criteria for designating Senior Counsel and extending the title to solicitor advocates;
- allowing in-house solicitors and counsel to represent their employers in court.

Delivery of **waste management services** will be opened up by:

- removing regulatory powers from local authorities and giving them to the new combined Regulator;
- making all local authority waste services contestable, and consistent with a National Strategy;
- removing artificial restrictions or levies on waste disposal methods that do not coincide with the EU hierarchy of waste.

Delivery of **transport services** will be opened up by:

- mandating the National Transport Regulator to open up bus routes in Dublin and elsewhere to competitive tendering from alternative providers;
- opening up the use of publicly owned bus stations to facilitate competition and user choice; and
- commissioning an examination of the feasibility and benefits of terminal competition at Dublin Airport as recommended by ESRI.

Access to **medical services** will be improved by:

- recognising the right of dental hygienists to operate independently of dentists;
- allowing optometrists do school eye examinations;
- opening up access to GMS contracts for all suitably qualified GPs.

As set out in *Reinventing Government*, we will also open up the opportunity for private tender to deliver **back-office activities** within the public service and seek to develop export potential in this emerging sector of considerable strength in Ireland.

In each of the areas where Fine Gael develops, under *Reinventing Government*, consolidated Public Service delivery, a private sector bid will be developed for some of the service

Deadlines will be set for implementation of these changes within the first 100 days of a new Government and the new Cabinet Office will be charged with delivering the necessary changes.

5.6 Reducing Business Costs

Ireland's competitiveness is improving, but not fast enough. By May 2010, Ireland's Harmonised Competitiveness Index (HCI) had fallen by 6.1% below its 2005 position. However, we are still 16% above our 2000 level, so there is a long way to go yet.

We will pass legislation to give all tenants the right to have their **commercial rents** reviewed in 2011 irrespective of any up-ward only or other review clauses. Office rental costs have fallen by 42% since 2008 but many people have not got a reduction at all due to resistance from some institutional landlords. Office space in Singapore remains cheaper than in Ireland. We realise that there are legal pitfalls to this policy and that constitutional issues may arise. We are prepared to take that risk and take the challenge to the Supreme Court.

Local Authorities will be expected to reduce **commercial rates** every year until 2014.

Government departments, semi-States, agencies and local authorities will be expected to **pay their bills promptly** within 30 days or will pay 1% interest per day. A new hotline will be set up to assist businesses who are not being paid.

Electricity prices have fallen both in nominal terms and relative to other EU countries. Nonetheless, electricity prices remain significantly higher than the Eurozone average particular for domestic consumers and SMEs. Prices increased by an average of 5% in October and network charges are set to rise every year from 2012 onwards.

This is not acceptable. We will aim to **reduce electricity prices** charged to business and domestic consumers to less than the EU average price within two years through some combination of the following policies:

- reducing the capacity payments made to generators;
- funding some capital investment in the electricity network from the proceeds of the sale of equity in ESB companies rather than through higher network charges;
- reviewing the PSO levy to ensure that only the most economically efficient projects are supported and that beneficiaries pay something back either in terms of a royalty or a clawback when market prices exceed the REFIT price;
- ensuring that no additional feed-in-tariffs are approved without calculating the impact on prices;
- reducing the operating costs of the generators and network operators by more than proposed by the CER; and
- requiring new homes and businesses to pay the full cost of connection.

Reviewing Employment Regulation Orders to Support Jobs

We note that the Government had agreed to review the JLC and JIC wage setting mechanism. We will support the renegotiation of the **Employment Regulation Orders (ERO)** imposed on the hotel, restaurant, security, agricultural, retail and other sectors under the JLC system within six months under an independent non-voting chairperson. We will also allow employers and workers in ERO sectors to negotiate enterprise-level collective agreements with their own staff which will make them exempt from the ERO.

We do not see any case for premium pay on Sundays unless the day is an overtime day. This assumes that the current legal action against the constitutionality of EROs is unsuccessful. If it is successful, we shall have to build a new wage and condition setting system for these sectors from scratch.

We will consolidate the multiplicity of existing employment law into a single **Employment Law Act** and will merge the many agencies that deal with employment law complaints; the Labour Relations Commission, the Rights Commissioner Service, the Employment Appeal Tribunal (EAT) etc. This network or different bodies and agencies cause confusion for employers and employers and increases cost.

Section 6 — Making it Happen

6.1 Need for Joined Up Government and Policy-Making

There is a vacuum at the heart of Irish Government structures. There is no central co-ordination of what different Ministers and their Departments are doing to ensure a better business and job creation environment.

A key condition of successful fiscal consolidation and economic recovery in other countries has been the creation of a skilled, joined-up strategic centre at the heart of the Government, with a sense of collective responsibility, a shared analysis of the way forward and a coherent approach to achieving its objectives.

Fine Gael will put in place a number of key reforms to ensure co-ordinated implementation of our jobs policies.

6.2 A Cabinet Office

As set out in our Reinventing Government plans, we will downsize the Department of An Taoiseach, turning it into a Cabinet Office that oversees the delivery of a Programme for Government and that will ensure that the overall economic and job creation priorities of Government are reflected across all Departments.

6.3 A New Department of Jobs and Economic Planning

There has been no effective institutional champion of Irish enterprise at the heart of Government. The Department of Enterprise, Trade and Innovation has become a post-box for its agencies and its policy development skills have atrophied, leaving a huge gap at the heart of Irish Government policy making.

In order to enhance political and administrative attention across Government on pro-employment, pro-competitiveness enterprise and regulatory policies needed for economic recovery, we will merge Forfás into the Department of Enterprise, Trade and Innovation to create a new Department of Jobs and Economic Planning.

Continuing to supporting the Department and the Minister will be the National Competitiveness Council (NCC). A dedicated junior Ministerial position will be established within the Department of Jobs and Economic Planning to co-ordinate implementation of the NCC's recommendations to Government on measures needed to boost exports and national productivity.

6.4 A Common Board for IDA Ireland and Enterprise Ireland

A common board will be appointed to act as directors of both Enterprise Ireland and IDA. It will seek opportunities for cost effective of integration of services, aid for the sharing of programmes that can be of mutual benefit to both Irish-owned and foreign-owned companies. It will seek to strengthen linkages between businesses across the traditional divide of foreign owned and indigenous to improve the capacity for job creation and export penetration.

Notes

Notes