



CHAMBERS
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**Chambers Ireland Submission to the Department of the
Taoiseach on the Draft National Risk Assessment 2017**

July 2017

Introduction

Chambers Ireland is the largest business network in the State. With members in every geographic region and economic sector in Ireland, we are well positioned to understand the concerns of Irish businesses and represent their views. Chambers Ireland welcomes the opportunity to contribute to the work of the Department of the Taoiseach as it drafts the National Risk Assessment for 2017.

We commend the work of the Department in assembling the Draft National Risk Assessment and we view it as a largely comprehensive document. We have analysed the assessment of the listed risks facing Ireland and have drawn attention to those which are of most importance to the business community in Ireland. This submission is structured in the same format as the Draft NRA, covering Geopolitical Risks, Economic Risks, Social Risks, Environmental Risks and Technological Risks. We have also included some additional risks under these headings which were not covered in the Draft National Risk Assessment document, but which we view as significant. Many of the outlined risks overlap across sections and have significant impacts across various areas and it is therefore not appropriate to rank risks in order of priority.

Geopolitical Risks

Brexit

As part of our submission to Government in 2016, we highlighted that the UK's vote in June 2016 to leave the European Union was one of the most pressing risks to Irish economic growth, stability and our ability to invest in capital infrastructure. A year on Brexit remains a significant concern for business, although uncertainty remains as to what Brexit will mean for our trade with the UK and how our border with Northern Ireland will be enforced. As laid out in the draft National Risk Assessment, Government has identified the following challenges as priority issues for Ireland to be addressed during the exit negotiations

1. Impact on the border and the peace process
2. Threat to the Common Travel Area
3. Impediment of trade with the UK and the consequential damage to the Irish economy
4. Law enforcement and judicial co-operation

As members of the European Union, the UK and Ireland have been operating within a common regulatory and legal framework, however it is possible this will no longer be the case post-Brexit. Potential divergence in the regulatory regime of the UK may have consequences on Ireland's attractiveness as a location for foreign direct investment and could also impact the extent to which Irish companies can compete with UK companies across international markets.

As part of a report co-sponsored by Chambers Ireland and the British Irish Chambers of Commerce, the business community, representing several sectors, along the border with Northern Ireland identified several concerns;

1. Currency fluctuations
2. Factors limiting competitiveness
3. Customs and tariffs/market access
4. Cross-border freedom of movement
5. Uncertainty and poor information

We recommend that Government include these risks in the National Risk Assessment and take the necessary steps to safeguard our ability to compete globally and with the UK post-Brexit

The Future of Europe and EU Stability

The 60th anniversary of the Treaty of Rome, which founded what we now know as the European Union, has accelerated the debate on the future of Europe. After successive years of crisis management, an international environment more actively hostile to European integration and the surge of anti-EU sentiment across the continent, there is significant pressure on political leaders to confront these new challenges and devise solutions. These challenges have prompted the European Commission to initiate a public debate on the Future of Europe.

Of particular relevance to the Irish Chamber Network, and indeed the wider European Chamber Network, are concerns around the ability of the European Union to make progress in the areas of importance to the business community. Examples include completing the Digital Single Market, advancing the Circular Economy and making progress with ongoing trade negotiations. The messages resonating from representatives of the business community is that the EU needs to be more flexible in order to evolve.

Policy-making at a European level must now evolve and adapt to the needs of the citizens and businesses of Europe. Reducing red tape and guaranteeing favourable conditions for trade inside and outside the Union are absolutely necessary for the success of European business.

Trade and the Global Rules Based Order

The Draft National Risk Assessment has highlighted threats to the “rules-based” system and a shift towards more protectionist policies by some of the world’s largest economies. Chambers Ireland has consistently raised concerns regarding growing “anti-trade” sentiment within the EU and in the US, which is one of our largest trading partners outside of the Single Market.

The election of Donald Trump and the US withdrawal from the Trans-Pacific Partnership, the decision by the UK to leave the EU, and popular opposition to trade agreements like CETA with Canada and TTIP with the US (which has since been “put on ice”) are deeply concerning the global business community and are particularly worrisome for small open economies like Ireland which has benefited significantly from increased trade and globalisation. Chambers Ireland welcomed the recent announcement by the European Commission on the political accord for an EU-Japan trade agreement. However, such progress should not overshadow the serious risks facing the EU and the global economy from protectionist policies and indications of a move away from rules-based multilateralism.

The Irish Government must do more to advocate for the benefits of increased trade and the opportunities that Ireland has enjoyed from its membership of the European Union and the WTO. Promoting the value of trade building closer international relationships must continue to an important part of our economic and diplomatic strategies.

Economic risks

Brexit

As outlined in the previous section, Brexit and a range of global economic factors pose a threat to Ireland’s economic wellbeing. Chambers Ireland shares these concerns in relation to Brexit but takes the view that alongside the negotiations process the Government must work towards protecting the competitiveness of the Irish economy, so that Ireland is in the strongest possible economic position in the face of Brexit.

Even without the prospect of the UK leaving the European Union the business community has been vocal over the past several years regarding the need for Ireland to remain competitive if our economy is to continue to grow. This goal has now become even more important given the prospect of our closest neighbour leaving the European Union.

We call on Government to support Irish exporters through introducing an Export Working Capital Scheme targeted at SMEs which require additional trade finance or working capital to service new clients.

Chambers Ireland asks that Government provide additional support to businesses seeking to establish trading relationships in new markets through strengthening the trade services offered by Irish embassies, overseas Irish Chambers and through committing adequate resources to state agencies such as Enterprise Ireland, Local Enterprise Offices and InterTrade Ireland.

Competitiveness

Within the strategic economic risks identified, Chambers Ireland views loss of competitiveness to be of particular importance due to the open nature of the Irish economy.

While a number of challenges to Ireland competitiveness are external and cannot be directly tackled by the Irish Government, there are domestic issues which pose risks to our competitiveness and should be addressed in the immediate term.

The competitiveness risks posed by infrastructural bottlenecks should be met with increased investment in infrastructure projects, particularly in the areas of transport, housing, broadband and water. Improving our infrastructure stock across the country is vital for the ability of businesses to trade and compete and in order to attract and retain FDI.

In addition to this, the Draft National Risk Assessment points to labour costs as a risk to Ireland's competitiveness. Chambers Ireland supports this point and has highlighted in the past that unless a case can be made by the Low Pay Commission to increase the national minimum wage, restraint should be exercised by government in this regard. Political considerations should not be part of any decision to increase the minimum wage and all factors that may undermine or impact on competitiveness should be considered.

Planning

Chambers Ireland would like to see the delays which are a common feature in Ireland's planning process included as a risk in the National Risk Assessment plan. A slow planning process which is beset with delays is a significant risk to our competitiveness and should be considered under the National Risk Assessment 2017. This is an issue which impacts upon Ireland's economy in particular; delays to investments and developments stymie investment in the Irish economy, adds significant costs to projects and may act as a deterrent to future investment decisions.

Planning for large scale investment projects remains an issue with delays a common issue facing developments in Ireland. The importance of Ireland's competitiveness is likely to be heightened in the wake of Brexit and the planning process and length of the appeals time in Ireland undermines our competitiveness in attracting FDI.

The currently delayed Apple €850m data centre in Athenry, first announced in 2015, is illustrative of this point; Apple moved ahead with a similar plant in Denmark which is now completed and operational, with the company recently announcing that it will construct a second in the country. Planning delays are a major competitiveness issue and will deter foreign direct investment if we cannot streamline planning permission for major investment decisions.

A comprehensive review of the third party rights of the appeal system to An Bord Pleanála should be commenced in order to ascertain how Ireland's planning system can operate more effectively. The extensive rights granted to third parties in the appeals process to ABP have significant impacts on large-scale investments which have the potential to benefit the wider economy.

National Planning Framework

Government policy must more clearly articulate, through the forthcoming National Planning Framework (NPF), what the priorities for development are and how these should be addressed and processed by An Bord Pleanála and at local level. In the absence of an effective planning framework delays to significant investment projects are likely to continue.

Chambers Ireland believes there is a need for a robust NPF which can ensure that capital investment and infrastructure plans are implemented through best practice planning. It is important that there is political commitment at national and local level to the implementation of the NPF to ensure that it works for the economic development of all regions.

A lack of spatial planning has negatively affected investment in the country for decades and we risk repeating the mistakes of the past without a clear and strategic framework for planning in place and implemented at all levels.

Unfavourable international tax changes

The Common Consolidated Corporate Tax Base (CCCTB) is identified as a risk to the tax base. Chambers Ireland takes the view that EU member states must be allowed to retain their tax sovereignty and develop tax policies most appropriate to their requirements. We do not believe that the CCCTB would be an effective tool for dealing with aggressive tax planning and ask the Irish Government to ensure that the CCCTB not proceed.

Social Risks

Human capital and skills needs

Chambers Ireland considers the impact of skills mismatches to be a significant risk to the economy. We have in the past highlighted the need for an increase in training provision for those in employment and for a refocusing of the National Training Fund to reflect current employment levels. Ireland's highly educated workforce is a major factor in our overall competitiveness and we must ensure that skills gaps or skills mismatches are addressed through up-skilling and re-skilling.

Failure to respond to demographic changes

Chambers Ireland agrees with the outline in the draft document that future pension provision is a massive issue for Ireland and is a risk to the future prosperity and wellbeing of citizens. Similarly, we broadly agree with the risk and issues of demographic pressure facing the country, but would like to see a greater focus on the peak demographic pressure on the education system which will occur in the next five years.

Demographic changes facing the country are likely to have a significant impact on Ireland's education system in the very near future. There is a need to carefully consider and adequately plan for the impact which demographic changes will place on Ireland's education system and this should be outlined further as a major risk for the education sector in the National Risk Assessment 2017. Increased pupil numbers will affect primary, secondary and tertiary institutions and will likely involve managing more students than ever before in the country.

The ability of our education system to deal with these increased numbers will affect other areas of Ireland's progress, and educational output is directly linked to competitiveness and employment. There is a need to accurately predict where these pressures will occur most acutely and make provisions which will enable the education system to deal with these challenges without affecting the quality of provision and level of educational attainment achieved by students.

Expenditure expectations

The wider implications of growing wage pressures and industrial unrest on competitiveness is a risk to Ireland's economy. As pointed out in the draft document, higher wage expectations in the public sector in particular threaten Ireland's public finances and the availability of funds for the capital investment which is essential for our economic growth. As such, Chambers Ireland believes that this issue is a significant economic threat and a budgetary issue, not

just a social risk, and the NRA should reflect this by including the point in the Economic Risks section of the document.

Environmental Risks

Climate Change

In recent years, extreme weather conditions have brought flooding and severe storms which have affected towns and businesses across the country. Changing weather conditions pose major risks for businesses and Chambers Ireland would like to see greater attention drawn to this in the National Risk Assessment. Irish businesses must be resourced to prepare for and cope with extreme weather or we will see increasingly frequent disruptions caused by weather affect our competitiveness. Climate mitigation policies and plans must be developed to protect businesses and vital infrastructure in the event of extreme weather.

While some progress is being made to slow the effects of climate change, there still is concern that this is not happening fast enough. Ireland is one of only four EU member states currently not on track to meet its Europe 2020 greenhouse gas reduction targets. This poses risk to Irish businesses and the local economy, especially as markets are increasingly favouring renewable forms of energy. Ireland has an opportunity to take advantage of this growing market and not be left behind in a greener global economy.

In addition to this, failure to meet internationally agreed climate goals by reducing our greenhouse gas emissions will see Ireland liable for huge fines in the near future, which poses a major risk to both our environment and our economy. If we do not respond to the risks of climate change in the immediate term will not only see environmental problems worsen globally, but it will mean economic penalties for Ireland which would majorly affect our fiscal position.

Under-supply of housing

The impact of the ongoing housing crisis is a major concern of both businesses and citizens and is one of the largest challenges facing the country at present. While addressed under Environmental Risks in the Draft National Risks Assessment, Chambers Ireland takes the view that the current crisis caused by the under-supply of housing is also a major economic and social risk to the country and should also be addressed under these headings in the NRA.

The under supply of housing is a risk to Irish business as the consumer spending necessary to support the domestic economy is being impacted as households are spending disproportionate amount of their income on high housing costs, while wage pressures on businesses increase as a result of these costs. The housing shortage also impacts upon FDI companies considering locating in Ireland and is likely to have a negative impact upon investment decisions by multinational companies seeking locations in a global and competitive market.

Lack of affordable housing has many social implications and affects quality of life across all urban areas. High housing costs are taking a disproportionate amount of employees' salaries, while lack of housing in urban areas means ever greater commuting distances for workers. Ireland has increasingly high levels of homelessness and an under-supply in social housing by local authorities. These are major social issues which have far reaching implications and will have lasting effects on Irish society well into the future.

Chambers Ireland has in the past called on Government to address the under-supply of housing in a number of ways: by utilising the Vacant Site Levy and Local Property Tax to increase land on the market in the short term, and by exploring the introduction of a land tax in the medium term as a means to prevent fluctuations in the housing market.

Investment in Water

It is also essential that Ireland have a clean, safe supply of water to support its citizens and businesses. An improved water supply is vital for industry, tourism, and agriculture. Changes to the funding of Irish Water mean that Government must identify other sources for the funding of water and wastewater projects. Water infrastructure plans already committed to must be completed. Improving the quality and capacity of the water supply should be a high priority. Failure to invest in Ireland's water infrastructure poses a significant risk for our environment, health and economy.

Technological Risks

Regulation of Technology

Chambers Ireland takes the view that greater consideration should be given in the National Risk Assessment to the legislative and regulatory challenges which increased take-up of technological advancements in the Internet of Things and Artificial Intelligence will pose for both Ireland and EU lawmakers. While developments in the Internet of Things are to be welcomed in terms of the efficiencies and enhanced quality of life which they have the potential to bring, regulatory and legislative challenges remain.

Divergence between European Union member states in this area is undesirable and we now have the opportunity to engage collectively in advance of the widespread adoption of such technologies. Regulation may help to advance adoption in some cases, in particular uptake of new technologies across Local Authorities and public bodies. For example, the 'Smart City' initiative which connects a city's real time data and applies IoT technology to the day-to-day operations of a city's infrastructure will require clear regulation and delegation of rights and responsibilities in relation to public data and operations. Issues such as standardisation, liability, data ownership among many others must be addressed at a European level before we can truly move ahead with IoT and AI technology. A lack of clear regulation and legislative certainty in this area poses a risk to Ireland's ability to adopt and benefit from technological advancements and the Digital Single Market.