



**Chambers
Ireland**
Advancing business together



Chambers Ireland Submission to the Department of Enterprise, Trade and Employment for the White Paper on Enterprise Policy Consultation

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Chambers Ireland, the voice of business throughout Ireland, is an all-island organisation with a unique geographical reach. Our 40 members are the Chambers of Commerce in the cities and towns throughout the country – active in every constituency. Each of our member Chambers is central to their local business community and all seek to promote thriving local economies that can support sustainable cities and communities.

In September 2019, our Network pledged to advocate for and support the advancement of the Sustainable Development Goals. In doing so, we use the Goals as a framework to identify policy priorities and communicate our recommendations. We have a particular focus on five of the goals encompassing Decent Work and Economic Growth (SDG 8), Sustainable Cities and Communities

(SDG 11), advancements in Gender Equality (SDG 5), viable Industries, Innovation, and Infrastructure (SDG 9) and progress in Climate Action (SDG 13).¹

The Department's decision to initiate a wide-ranging review of our national enterprise policy is timely. The last strategic look at our national industrial policy occurred in 2004. In the eighteen years since "Ahead of the Curve" was published, the housing sector overheated and collapsed. The six-year economic crisis that followed the Great Financial Crisis saw an enormous retrenchment in government expenditure. This has resulted in many public services operating at, or over, capacity which has degraded the associated fixed capital and reduced utility for the users. After three years where the economy seemed to be relatively stable, the Brexit crisis began which was followed by the domestic demand shock of the covid crisis, combined with the supply-side shock that is the consequence of a disrupted global logistics sector, and lower levels of production in east Asia. The Russian war on Ukraine has created an energy-shock that is driving short-run inflation but is also likely to lead to a medium to long-run increase in the cost of fossil fuels as counties and businesses are forced to diversify their energy sources. Ireland has long been navigating its course in an increasingly shock-prone world. The need to build resilient networks that can continue to deliver, and that can continue to support the needs of everyone on this island, is becoming ever-more apparent.

Our experience of working within the paradigm of the Sustainable Development Goals suggests that departments, agencies, and state bodies, should look to the goals which most closely align with their activities. The issue with prioritising **all** seventeen goals is that, in reality, this translates into doing very little about any of them.

Chambers Ireland have found the Sustainable Development Goals to be very useful for discouraging siloed thinking when it comes to policy. Our process is to review all our policy outputs from the perspective of someone who wants to attain the particular goals. We frame all our policy

¹ The Chambers Ireland SDGs. Available at: <https://www.chambers.ie/policy/sustainable-development-goals/chambers-ireland-sdgs/>

outputs in the context of the five goals which we promote most actively, while also considering how they can indirectly support other Sustainable Development Goals.

The new enterprise policy is a huge opportunity to deliver on Climate Action (SDG 13), while also protecting Decent Work and Economic Growth (SDG 8) and supporting Industry, Innovation and Infrastructure (SDG 9). Delivering on the “Untapped Green Energy Resources” section of this document will also be essential for accomplishing the goal of Affordable and Clean Energy (SDG 7). If we are to also consider Life Below Water (SDG 14) we might look towards using our offshore energy developments as locations where we can create reserves for wildlife, protecting them from commercial overfishing. This way, we can use the goals to see how they can support each other, and also identify where policy fissures might be developing.

We find considering policies from the perspective of Gender Equality (SDG 5) to be very useful. It has forced us to amend our policy positions relating to Decent Work and Economic Growth (SDG 8) a number of times to consider the safety of those employed in the night-time economy and the transport networks that support Sustainable Cities and Communities (SDG 11): If streets and public transport are not safe for women, then we will undermine the progress we need to make to accomplish Climate Action (SDG 13). If we were to apply the Gender Equality (SDG 5) lens to enterprise policy, we would question why women make up the majority of those who participate in LEO “start your own business” training, but an average of only 20 of women go on to form High Potential Start Ups (HPSUs) in any given year, as few as 1 in 6 HPSUs are lead by women.

The benefit of using the goals is that it can highlight how policies can reinforce each other to accomplish shared aims.

Chambers Ireland looks forward to future engagement with the Department to highlight the opportunities that are before us.

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Key Points

- There are strong benefits to be gained from maintaining our policies that relate to High-Value Manufacturing Centres
- Future Policy should look to expanding efforts beyond these, and have more focus on strengthening the broader domestic economy, rather than focusing on HPSUs.
- Our infrastructure deficit weakens our offering on the international stage and must be addressed
- In the wake of the OECD BEPS2 agreement we need to create a new narrative around business in Ireland
- Housing is holding us back, both in the domestic economy and in attracting talent for MNCs
- As more companies become more sensitive about their climate impact our reliance on fossil fuel derived electricity will count against us in the FDI space
- Making progress on improving our water infrastructure is critical
- We have enormous opportunities to benefit from the exploitation of our renewable offshore energy resources, but we need far greater ambition
- Brexit will strengthen our attractiveness for US FDI in the EU, and places us in a unique position to become a logistics hub on the interface between GB, EU and the rest of the world
- Deglobalisation and friend-shoring will open up new opportunities for Ireland as we are an agile economy that can quickly adapt to changes in the global economy
- Cybersecurity is an area where we are not as strong as we could be but there are enormous opportunities for the country if we extend our activities in this area
- The Creative Industries were identified as a key growth area in “Ahead of the Curve” but the opportunities there were not exploited to the fullest
- Within the domestic economy there are considerable underutilised resources that could be more productively employed and can be a source of growth for years to come

Chambers Ireland’s Perspective on our existing Enterprise Policy

Chambers Ireland strongly supports the existing policy for multi-national companies which has created almost 300,000 jobs in Ireland. In areas of the High Value Manufacturing Sector such as Pharma/Biotech, AgriFood, ICT, and MedTech, our existing industrial policy has served Ireland particularly well.

Any future policy should build on the success of these sectors and must ensure that the achievements in those areas can continue. However, we also need to consider that many of the competitive advantages that we had in 2004 are either no longer present, or not weighted as heavily by the FDI sector.

Negative trends since the implementation of “Ahead of the Curve”

Skills & Talent

Skills and Talent are national issues for firms in the domestic economy and also for MNCs. Our chief constraint here is the availability of affordable and secure accommodation. Competition between those in employment, between landlords, and between Local Authorities buying “turnkey” homes on the market is adding €50,000 to the baseline cost of homes, according to some accounts. The pressures on housing also filter into the rental sector - the high cost of housing often being cited as a cause for employees emigrating. For those who do not emigrate, poor access to housing is often a drain on productivity; either through repeated, prolonged house searches or through extended commutes to and from work. Finally, the cost of housing - both in the ownership and rental sectors - is a leading cause of claims for increased wages.

Housing & Migration

Poor housing options make Ireland a less attractive destination for migrants. Accordingly, we do not have the same capacity to import skills from other jurisdictions as we did in the early 2000’s.

Energy

Energy supply is not as secure as it has been in the past, and our energy mix is still overly dependent on fossil fuel sources.

The environmental concerns related to how we sourced our energy were not a priority at the creation of our existing industrial policy strategy. Our relatively heavy dependence on Moneypoint to secure our energy will make Ireland a less attractive location for Foreign Direct Investment; particularly as increasing numbers of firms are being obliged to include climate impact metrics in their annual reports by regulatory bodies.

For those that are already present in Ireland, many are already being forced to modify their activities as a result of the difficulties in maintaining supply when the national grid is routinely operating at 95%+ capacity. As large energy users, the high-value manufacturing sector is typically the first to be curtailed when outages occur, leading them to be disproportionately affected by supply and transmission constraints. This is harming our reputation as a reliable location for foreign capital.

Difficulty supplying locations with electricity is resulting in a de facto ban on new data-centres. While the individual number of jobs that are directly foregone in those instances are relatively low, there are a huge number of associated roles within the wider MNC sector that are dependent on having access to large data sources. The inability to guarantee security of supply to those data-centres is likely to result in fewer of the ancillary roles being located in Ireland.

Water

Access to water resources, and waste-water treatment capacity, are increasingly becoming problems for businesses that are looking to expand in, or into, Ireland. Supply constraints are limited where businesses may operate from and their ability to increase their range of activities on existing sites. Meanwhile, the lack of effective water treatment capacity is often a key reason given for the rejection of planning permissions.

Taxation

With the OECD BEPS2 agreement now in place, Ireland can no longer be branded as a low tax venue for Foreign Direct Investment. Chambers Ireland supported the decision to join with the other OECD members in addressing the issues that have emerged as a result of the interactions between multinationals, their subsidiaries, and international taxation norms. We fully agree that Ireland's interests are better served by participating in the international taxation reforms than by isolating ourselves, and damaging our reputation, by retaining the 12.5% rate of corporation tax. However, considerable efforts to brand Ireland as a low tax venue for international capital, and so we will have to learn to encourage investment here without relying on the advantageousness of our tax regime.

Positive trends since the implementation of “Ahead of the Curve”

Untapped Green Energy Resources

Ireland has enormous untapped green energy resources, and we have the potential to benefit from “second mover advantage”. While security of supply is a key concern for businesses, it need not be. Had we engaged with the potential of our offshore energy resources, then we would not be as vulnerable as we are today to the energy shock that is being delivered by Russia.

We urgently need to become much more ambitious with respect to our offshore energy generation. At a time when Scotland is, by 2033, increasing their offshore energy capacity from 15GW to almost 40GW and including 17GW of floating offshore wind, our national objective is 5GW by 2030 (including 0GW of floating offshore wind).

We should utilise the REPowerEU decision regarding ‘overriding public interest’ to fast track the grid upgrades that are needed to make our electricity networks more resilient and effective. We must upgrade our electricity grid around the objective of becoming net exporters of green energy to the European continent. We have the potential to produce orders of magnitude more

electricity than we will ever need, but we need to smooth out the intertemporal volatility of our production.

There are three primary ways to do this: exporting directly to the European Grid (but this is an infrastructure-heavy solution, that would lead to most of that capacity being unused most of the time (because we'd need to deliver the electricity as the wind generation was peaking, and peak Irish demand will never compare to peak production volumes). Alternatively, we could store the electricity in batteries, but this is a relatively short-run option (it helps flatten out the inter-temporal variation over timelines of up to a week, but not inter-seasonal variation), or chemically which will allow for smoothing out the curve over significantly longer timelines.

Given that our nearest EU neighbour has a low carbon electricity network, the limited capacity to connect into the EU grid, and the variability of wind, Ireland would be best suited to focus on chemically exporting our excess energy through a medium such as Hydrogen.

As wave energy becomes more commercially feasible, we are likely to be generating ever increasing amounts of electricity which will incidentally result in Ireland being as energy-secure as we are food-secure.

We need to use our excellent and underutilised natural harbours to export Compressed Green Hydrogen to continental Europe to facilitate their transition to a net zero economy. In the short-run port terminal capacity that can be used for Hydrogen export could also be used for temporary liquified natural gas (LNG) importation, which may allow us to limit the use of coal as a source of energy. A nascent Green Hydrogen industry could also supply into our existing gas-fired thermal plants which will reduce our CO2 impact on the environment, even as we help our emergent energy sector to grow.

Similarly, large energy users (particularly those in industries like aluminum smelting, cement manufacturing and agrifood) could be incentivised to transition to hydrogen (or a hydrogen/methane mix) to reduce our dependence on imported fossil fuels while also catalysing a Green Hydrogen industry.

Aside from the indirect benefits of supplying large volumes of clean energy to the Irish population, at scale, there is also the regional development role that will be served with the expansion of offshore wind to the Atlantic coast.

Hundreds of billions of euros of infrastructure needed to harness the energy of the Atlantic, there will be a generation of work involved in building it and the efforts of generations more will be required to ensure that the value of this capital is maintained. Only a tiny share of the cost of renewable energy is captured in the build cost. Over the lifetime of these projects most of the spend will be on the Operations and Maintenance that is needed to ensure the efficient operation of the turbines. Each and every turbine will need to be inspected four times a year, and each of them will require a longer refitting to happen on an annual basis. This will translate into thousands of highly-paid jobs in many of the most disadvantaged regions of the country.

Offshore energy will become an industry that will be larger than the entirety of the agricultural sector, and likely even the construction sector by 2050. There are no good reasons for not accelerating this transition, even if it was not also necessary.

To make this opportunity a reality, Government needs to ensure that MARA, when it is founded, operates as an IDA for the sea – as a one-stop-shop agency that delivers the quickest path to operation for everyone who seeks to invest in our offshore energy potential. MARA needs to be the single point of contact that liaises with planners, agencies, departments, and semi-state

bodies to ensure that Ireland can decarbonise at the greatest pace. We have, as a direct result of an inadequate regulatory regime significantly delayed on our decarbonisation – we need to make good on the 15 years of delay that was caused by the lack of an adequate offshore planning regime.

Finally, the existing method of creating nitrogen fertiliser is dependent on superheating methane using the Haber-Bosch process. Green Hydrogen can be an alternative zero-carbon feedstock for this process for fixing nitrogen, which would not only facilitate the creation of a more environmentally sensitive fertiliser industry, but also one which does not carry the same geopolitical and price risks of our existing source of nitrate fertiliser.

Ammonia is not only relatively stable and energy dense, it can be used in both jet turbine and diesel engines as fuel which can help decarbonise the international transport sector.

Using biomass, biowaste, farming and foodwaste to produce methane can also maximise the lifespan of existing natural gas investments, while also reducing the impact that the naturally released methane would have on the atmosphere. Coupling them with carbon-capture technologies would turn such waste into net-negative feed that would allow for carbon sequestration.

Brexit & Trade

Given the greater difficulties that Britain has created for itself when it comes to international trade, the Island of Ireland has an enormous opportunity to position itself as a logistics hub for any business that seeks to trade with both GB and the EU.

Located as we are between the EU and the Rest of the World, we have the potential to position ourselves as a first port of call. This is particularly the case for large shipping that may want to avoid the congested ports and waterways on the continent or in Britain.

By integrating rail with our ports, we can facilitate smaller vessels that will have access to less strained EU and GB ports to support imports and exports to the US and Asia.

As the primary English speaking and common law country in the EU we have a distinct advantage over many of our peer nations, particularly when it comes to international services. This should help ameliorate the tax related challenges that we will have as we now have other (and higher value) strengths with which to distinguish ourselves.

Deglobalisation

Deglobalisation is a process that is already well underway and the effects it will have on Ireland are complicated. Friend-shoring and near-shoring production is likely to lead to higher costs, but also shorter supply lines, and so, reduced inventory. Ireland should be focusing on high-value advanced engineering processes which involve additive manufacturing (assuming that we also deliver a transformation of our electricity networks to green energy).

Creating items through additive manufacturing methods is becoming increasingly effective, most processes that involve metals, however, are reliant on there being access to considerable volumes of energy (i.e. laser sintering and direct energy deposition) which would make an Ireland that has a large excess electricity capacity a welcome home for manufacturing, where products are destined for the EU market.

Cybersecurity

The vulnerability of Ireland as a target for criminal and political cybersecurity threats has become a serious business concern. As our economy becomes more digitised, it is vital that

Ireland has robust, secure digital and legal structures for businesses and entrepreneurs to work within.

The MNC companies based here, who contribute a substantially to the Corporate Income Tax which the state receives need their data to be secure. Many of the firms headquartered here, report to the Irish Data Protection Commissioner (DPC) regarding their data privacy and GDPR obligations. The value of these data, and the value of the associate exchequer returns, have not been met with a commensurate support from the state sector to protect them.

With so much of the world's data housed here, it is paramount that we ensure that the data we are entrusted with remains secure. Irish security threats and vulnerabilities risk becoming security threats for other countries which could hurt Ireland's standing as a safe base for such countries. Ultimately, the long-term presence of these data-intensive companies depends on the capacity of our public sector to respond to cyberattack threats.

Similarly, we have obligations to all the citizens, particularly of the EU, but also those in other jurisdictions to ensure that their data are treated sensitively and responsibly by those that have been entrusted with it. The data held in Ireland are of value – to the firms that control the data, and the people to whom it relates, then we should ensure that that value is maintained and guarded.

Ireland needs to ensure that there is a robust cross-departmental public sector strategy to pre-empt cybersecurity threats. Such a strategy should involve the development of a civilian cybersecurity agency which collaborates with Justice officials, the DPC, industry, security experts and our third level sector to identify, monitor, and respond to cybersecurity threats.

To do this effectively we need to see a national cybersecurity agency to be put on a legislative footing. This agency will need to have an educative mission – supporting Irish residents, officials and businesses to understand the risks that associated with poor digital practices.

An effective cybersecurity agency would need to have a proactive role in understanding the threat environment and should seek to establish what threats exist for people in Ireland, state bodies, and the commercial sector rather than treating cybersecurity as a criminal matter which needs to be investigated retrospectively.

To accomplish this, the agency will need to work with international partners, local professional experts, state agencies, departments and corporate bodies to ascertain how our information infrastructure can be compromised, and to establish how best to remedy and mitigate potential threats before they are exploited.

Thirdly, the agency needs to be empowered and mandated to conduct penetration testing on state bodies to ensure that the vulnerabilities are exposed before they are misused by bad actors.

Creative Industries

A narrow view of “Creative Industries” was taken in the “Ahead of the Curve” policy programme. Chiefly this focused on Broadcast, Film, and a nebulously defined “Media” category. We are in need of a broader industrial policy for the entertainment sector. Despite our national strengths when it comes to the Creative industries, we underperform in the areas of broadcast and film production where “Ahead of the Curve” had its focus.

While Ireland is often the location for the actualising of intellectual properties in movie/television productions, they are rarely Irish properties that are being developed with a view towards international markets. These productions are primarily due to the competitive taxation regime which exists in Ireland. Irish intellectual properties in those sectors are often developed as US/GB products, with locally produced creations being focused on the domestic market.

Given our oversized global creative industries footprint (including a broader definition of 'creative' involves music, writing, animation, games development) and the fact of English being the primary international language in the global entertainment industry, our growth in exports for this sector has been weak, relative to peer nations.

In 2017 (the last year where complete data from UNESCO is available) the scale of the Global Cultural Exports market was \$17.5 Trillion. Whereas Irish cultural goods exports in 2020 were only €1.138 billion. As a share of total Irish exports, this was only 0.72% - below the EU average of 0.9% despite the advantages that Ireland has.

Chief among the benefits of cultural exports is their capacity to scale, as the Republic of Korea has demonstrated, a systemic focus on entertainment (broadly defined) as an export industry not only facilitates the development of a strong domestic, indigenous sector, it also allows smaller countries the opportunity to make outsized gains as they provide creative and cultural services to larger markets.

The Korean model also demonstrates the indirect benefits of having a national industrial policy that promotes cultural services exports: Firstly, there is the soft-power element- there is enormous international good will to be gained from promoting our cultural perspectives to a global audience. Secondly, there is the tourism income that is to be derived from the consumers of cultural products in the first instance which is enhanced by the raising of the international salience of the country. There have been a lot of empty attempts to brand and rebrand Ireland based on what we were (an often-contested story) or what we might yet become (a still more contested story). Ideally, we would be promoting people in Ireland who tell Irish stories to an international stage where we can let the merits of Ireland speak for themselves.

Underutilised domestic capacities

The considerable existing infrastructure deficit across many areas (including housing, transport, energy, and water) which has significantly depressed and constrained our domestic economy.

It is prudent for the Department of Finance to focus on our Debt/GNI* ratio. However, the attention has typically been on the Debt side rather than the GNI* level. The relatively low level of infrastructure investment since the Great Financial Crisis has resulted in considerable constraints being put on domestic growth.

There are two ways to reduce our Debt/GNI* ratio. The first is to reduce the absolute levels of Debt which the state owes, and the second is to grow the denominator. The focus on Debt has resulted in Ireland pursuing complicated policies to try to keep debt off the national balance sheet (e.g. Housing Assistance Payments – which function as unsecured debt that are politically dangerous not to honour).

Domestic enterprise growth policy should attend to the greater body of firms which are not typically supported by the state. Firstly, the regulatory environment for these businesses should be simplified – efforts should be made to consolidate employment law, rather than create new bills for relatively micro issues.

More fundamentally, it should be recognised that most businesses will never be High-Performance-Startups, and that HPSU's will never be large employers in Ireland as they will typically have to break into the global market if they are to scale up.

The real strength of the domestic economy is in the “Mittelstand” – the area where Irish business productivity is weakest, and declining. We need to develop an outward-looking medium business sector that trades internationally – for as long as our medium sized businesses remain focused on our domestic economy they will be vulnerable to shocks that alter their sector which emerge from abroad.

Another area that has low-to-negative productivity growth is construction. With population numbers in excess of our National Planning Framework figures, Government should be looking

to use its monopsony power in the social housing market to kick start modular building as an industry in Ireland. Government have the capacity to buy tens of thousands of modular homes, per annum, over the next decade at least, potentially decades to come. We should use that scale to transform the existing construction sector into one that is possible to optimise.