

Deputy Leader tells Galway Business Conference the best is yet to come in terms of Ireland's success

20th October 2006

Deputy Liz O'Donnell looked forward to the development of a truly dynamic all island economy, "blurring the border and barriers which have divided our people for too long". She also called for the extension of the Business Expansion Scheme, which is due to expire at the end of the year. She was speaking to the Network Ireland Conference in Galway, which was opened by President Mary McAleese. She was speaking to the theme of; "Defining Success: How do we know when we've made it?"

Madam President,

Thank you, [Anne / Alison], for inviting me to address your National Conference. I did so before in Kinsale. On that occasion the theme was "*Business in a Changing World*" and I spoke on the well worn theme of female participation in the labour force, in decision making generally, and about encouraging women to reach their full potential.

Firstly, congratulations to Network National President, Alison Herbert, and the Galway President, Anne Hession on this Conference, and on your ongoing work. Through your many branches and 500 members across Ireland, expert help, experience and advice is available for women in business, the professions and the arts.

This year's Conference theme "*Defining Success: How do we know when we've made it?*" can be viewed from a personal or political perspective. I'm sure others will deal with the personal, as a practicing politician, and Deputy Leader of a political Party, it falls to me to apply this question to public policy: - society and economy.

Is Ireland really successful?, and has Ireland "made it"? The answer depends on the definition of success. That we have the luxury of defining success speaks volumes and shows that notwithstanding our frequently derided consumerism this organisation at least is taking an intellectual and reflective approach.

Economic Development

This State's economic history can be divided into four broad periods. From 1922 to 1958 our economy was founded on basic agricultural activity, on self-sufficiency and protectionism.

Between the end of the Fifties up to 1973, we saw Ireland gradually opening up, resulting significantly with membership of the then EEC.

From 1973 to 1987, Ireland enjoyed some success - halting population decline and fostering employment.

It was a time of adjustments, but also a time of periodic industrial unrest and political instability.

From 1987 to today, Ireland's economy bottomed out and then rose to enjoy stunning development and growth. By any objective measure, Ireland has turned a corner in our social and economic journey from poor man of Europe to shining light.

Perhaps the single biggest achievement in politics, (apart from the Peace Process) as it affects real lives, is the 10% plus reduction in our unemployment rate in the last ten years, down from almost 15% to 4.4%.

Employment has risen from 1.1 million in 1991 to 2 million in 2006.

We are now creating more jobs than we can fill.

The live register at 152,307 is almost 12,000 lower than two years ago.

In 1987, Ireland lost more than 260,000 working days to industrial unrest. In 2005, it was 26,000.

In 1987, our National Debt/GDP ratio was 125%. In 2005, it was 27%.

In 1987, 35% of all tax revenue was going to service the growing National Debt.

Our trade surplus has gone from €2 billion to €31 billion. Our net national income has gone from €42 to €115 billion in less than ten years.

So is Ireland a success? If we consider where we have come from, the answer has to be, Yes.

From Despair to Success

Ireland has travelled an amazing path in the last 20 years.

Ireland is

FIRST in the EIU Quality of Life Index

The SECOND most globalised country

SECOND for its image abroad encouraging business development

SECOND in the number of science graduates per 100,000

THIRD freest economy in the world

THIRD in national culture being open to foreign ideas

FOURTH for GDP per capita

FIFTH for university education meeting the needs of a competitive economy

So, do we even have to ask? "Has Ireland made it?" Yes we do because if we think we have done it all, complacency will set in and there is no room for complacency.

How success was built

You will notice I have used the period 1985 / 1987 as a starting, comparison point for measuring how far Ireland has come. Apart from being a regularly employed date for comparison, given the commencement of our series of social partnership agreements, it also coincides with the foundation of my Party the Progressive Democrats.

The Progressive Democrats emerged twenty years ago to challenge and change the prevailing, unhealthy economic and political dynamic. The country was in a dire economic state. There was an oppressive political climate. We had the social catastrophe of combined mass unemployment and mass emigration which had been normalised by the political establishment.

For our people there was no vehicle for the political expression of despair at what was happening. Neither was there a Party which offered a fresh approach or an alternative view. So the Progressive Democrats were formed. Small, but with sufficient electoral support to form a coalition government with Fianna Fáil; transforming the political landscape.

Our credo was a clear and unfaltering one, a relentless pursuit of economic and social policies aimed at

- Achieving full employment
- Strengthening the competitive position of the Irish economy
- Keeping taxes on labour low & rewarding enterprise
- And, focussing on the low paid, the elderly and vulnerable.

Taxation Policy as the Key Economic Instrument

Central to our credo was Tax Reform. For this we were vilified and labelled as Thatcherite by the left wing commentariat. It was a selfish agenda to make the rich richer they bayed! But we consider tax reform as an instrument of social and economic justice. A fair tax policy expands our economy; rewards work and alleviates the burden on taxpayers - especially for those on lower pay.

All our experience is that low taxes deliver economic and employment growth, thereby generating the resources to tackle our infrastructure deficits and outstanding social issues. Low taxes enable those whose hard work has created the boom to fully enjoy the fruits of their labours. The facts are stubborn; low tax works and it is fair.

We have a tax system that benefits lower waged workers over higher income earners.

Over one third of the work force is now outside the tax net completely in 2005.

All of those on the current minimum wage are outside the tax net completely.

The Budget last year removed nearly 52,000 low-income taxpayers from tax net in 2006.

The top 25% of income earners pay 80% of all income tax raised by the State.

Ireland today has the most generous tax and welfare system for single income families on the average industrial wage in the world.

The Old Age Pension is now €193.30 per week and a real increase of 67% since 1997.

Child Benefit and support is massively increased.

In 1997, a single person on the average industrial wage faced an average tax rate of 27%. Last year it was 15%. That 12% reduction has contributed to take home pay rising a massive 44%. In fact, half of the real benefit to workers is due to tax reductions.

And the amazing thing is that low taxes actually increase the yield to the Exchequer!

We cut corporation tax from 36% in 1997 to 12.5%.

Corporation Tax yield went up from €2 billion to almost €6 billion.

We cut Capital Gains Tax from 40% to 20%.

The CGT yield has gone from under €200 million to €2 billion.

And we cut income tax rates. From 48% and 26%; to 42% and 20%.

Consequently, exchequer funds actually went up 41%.

In terms of tax reform have we made it? Our view is that when tax is fair, people are compliant. When tax is penal and unjust, there is always need for reform.

In fact we still believe we can do more on tax. Use some of the benefits of economic growth to significantly reduce the tax burden on low and middle income tax payers.

Of course the majority of the benefits of economic growth must go to essential public spending, which should rise considerably faster than inflation. But a portion can and should be reserved to radically reduce the tax burden on lower and middle income workers.

We propose that about 90% of the gains from economic growth will go to spending, but that the other 10% will go to tax cuts. This could be targeted on low and middle-income workers. We want to cut the top rate of tax to 40% and by increasing credits and bands allow a couple earn up to €40,000 tax free and up to €100,000 without paying any tax at the top rate.

We tend to be a party; driven not by ideology, as is frequently alleged, but by passion for innovative solutions to modern problems. Our recent proposal to reform the stamp duty regime, to ease the burden on first-time buyers and those trading up their principal primary residence, is another example.

Predictably, the Opposition claim that to do so would mean less is to be invested in vital infrastructure. This, of course, is facile and anti-intellectual.

When it comes to government spending, it is not "either or". It is not a choice between lower stamp duty and new schools, roads or hospitals. We can do both.

We want to help first time buyers and couples with children seeking to move home.

Among the solutions being discussed by my Party are the abolition of stamp duty for moving home, a reduction in stamp duty rates, banding stamp duty across the rates, and the option of allowing stamp duty to be paid over the lifetime of the mortgage.

Given its impact on thousands of homeowners and would-be homeowners around the country we believe there is scope for a significant re-adjustment. How credible is this proposal?

We tend as a party to deliver what we promise. In Government, we cut the top tax by 14%, the standard by 11%. When not in Government, a miserly 1% was cut off the top rate. Small wonder then, that the market is showing signs of anticipation of a change in stamp duty. People know we have credibility and that's good!

Support for business must continue

The Business Expansion Scheme (BES) and Seed Capital Scheme (SCS) have been of enormous value to start up companies and Small and Medium Enterprises. These schemes are due to expire at the end of this year. I believe that the schemes should be extended for a significant period of time so as to give certainty to investors; perhaps for the term of the new National Development Plan. Also, I believe that there should be a substantial increase in both the individual investment ceiling from its current level of €31,750 and in the threshold that a company can raise from the current limit of €1million. These limits have not been increased for a considerable period of time and should be brought in line with current prices.

(NB; The Small Business Forum group recommended that the limit for the BES be increased to €250,000 and the SCS to €100,000 and that the threshold that a company can raise be increased to €2 million per company.)

There are many challenges that come with success for all of us as individual citizens and for Government. One of them is the arrival of the new Irish who are vital to our economic prosperity. All the indications are that population will grow by 30% to over 5.3 million by 2020, and to six million by 2050. Immigrants could account for a fifth of the population by 2020.

So while in the 1980's the challenge was in staunching the flow of emigration. Today's challenge is integrating new immigrants into a modern progressive society.

Our history should inform our response to this. Making a life in a foreign land has been the lot facing generations of Irish since the great famine as people fled a country that was devoid of opportunity.

I believe that a specific form of integration not assimilation, of our immigrants is the preferable option; an integration that fosters interculturalism and which encourages a

process of mutual respect and adjustment. Newcomers should be encouraged to understand and accept basic Irish values while in turn encouraging Irish people to celebrate and respect the cultural differences newcomers bring to Ireland. A segregated multiculturalism is not a good model.

Another glaring challenge of success is our physical infrastructural deficit. We are starting at a low base in terms of infrastructure. Emerging as we are from poor economic circumstances. Given our rapid growth not only do we have poor infrastructure; we need more and more of it. Consider Transport, Health, Education and Housing - all areas which require investment and innovation.

If we were minded that we had made it we might not continue our National Development Plan - delivering massive, visible social infrastructure - which will improve the quality of life for our citizens.

The Public Transport market must be reformed to ensure greater private sector involvement to deliver greater choice and value.

Our reliance on fossil fuels is simply unsustainable with depleting oil reserves and scarcity of supplies we have to meet huge challenges on the energy front. We need greater competition in the all island electricity market. The dominance of the ESB must be looked at and all players should face a level playing field in assessing the market.

The structure of Bord Gais should be reviewed to determine if separate networks and services companies would facilitate market liberalisation.

On Health, there is no room for complacency and our deficiencies are well known despite a trebling of public spending to €12 billion this year. But now, for the first time we have total management focus driven by a single Health Service Executive to improve the Health Services in particular the A&E services. Hospital by hospital, each of the 35 hospitals in the country with A&E departments are now being assessed for performance on a weekly and monthly basis and thanks to a range of operational and institutional reforms - we are seeing tangible improvements. Waiting times and numbers in A&E have been reduced by 50% over the last 12 months.

And it's not just about money. The National Treatment Purchase Fund, whereby the State buys health services for patients on waiting lists for operations is a huge success for patients. Before the NTPF, waiting times for operations were often 2-5 years. Now they are mostly between 2-5 months. 50,000 patients have now been treated under the scheme. A sensible solution based idea which worked. Similarly the plan to locate private hospitals on public hospital lands will deliver 1000 public beds at a fraction of the cost to the State.

Our people are our best resource and our social capital has been central to our attractiveness to Foreign Direct Investment.

The quality of our educated young people is at the heart of the economic success Ireland has enjoyed over the past 15 years and as manufacturing declines, the Government is investing heavily in our knowledge economy. We have provided for a multi-annual, multi-million, *Strategic Innovation Fund* for higher education.

Competition has been good in all sectors, bringing prices down and delivering greater choice to consumers.

So I have listed the successes and the challenges. A leading world economist recently said of Ireland: it is "the most vulnerable country in the Euro zone" to a recession in the United States. Ireland exports over 14 per cent of gross domestic product to the United States and "sticks out like a sore thumb" among Euro zone countries.

While house prices in Ireland continue to rise, the real estate market in the United States is tottering. Experts around the world are increasingly concerned about the prospects for the US economy. Many believe that a slowdown in America could trigger a worldwide stumble. Ireland is especially vulnerable to a slowdown in exports to the United States. Our exports of goods and services to the US, over 14% of GDP in 2005, were way above any other Euro zone countries.

Yet he went on to say: "the most important question is the potential resilience of the Irish economy . . . most other Euro zone countries would give their eye teeth to have Ireland's problems of success."

The job of Government is to make policy to ensure we are resilient, competitive, confident and secure. As a small open economy we must never become complacent. Good, wise government will stand between us and the severest negative consequences of an economic downturn.

That is why the outcome of the next election is so pivotal to Ireland. In all areas including politics, competition is good creating choice for consumers and citizens. There is a clear choice at the next election. More of the same, or, an untested diverse coalition?

So, returning to defining our success in the general sense. Are we a country that can hold our own in the world? Yes. Despite the whinging and chastisement from certain commentators that we were happier and nicer people when poor and that we have somehow lost our civilised values? I reject that proposition. It's nonsense. Sure, we display signs of new money madness, paddocks without horses, bathrooms bigger than gardens, and oil guzzling SUV's and helicopters. But as a people we have not lost our soul.

To our credit, the voluntary sector is still very strong in Ireland.

We are leaders in the world in terms of support to the poorest countries and most generous by way of voluntary contributions as individuals. We know where we came from. We have a race memory of famine, migration and economic despair which will keep Irish hearts and minds in the right place.

Moreover, now that we are close to home in the context of finally implementing all aspects of the Good Friday Agreement, an exciting prospect is opening up to develop a truly dynamic all island economy with real operational North/South Co-operation, blurring the border and barriers which have divided our people for too long. And now that the vexed quarrel over Northern Ireland with our nearest neighbour is settled perhaps we can begin to celebrate aspects of our "Britishness" which for too long was suppressed because of nationalistic myths?

Unionists are a majority in Northern Ireland but a minority on the island; The Republic, already more diverse with immigrants, should be a warm place for those with British allegiance. Britain and Ireland can at last normalise what was abnormal for neighbouring countries. We can begin to explore with excitement and without baggage the Entwined Lives of Britain and Ireland - our common language, literature, pre-independence history culture and war dead. The economic dividend of peace has yet to be realised on the island of Ireland. The best is yet to come in terms of Ireland's success.

Thank You