ISME
IRISH SMALL AND MEDIUM ENTERPRISES ASSOCIATION

17 Kildare Street,

Dublin 2,

Ireland.

25th May 2017

Ms Liliane Volozinkis,

Director Social Affairs and Training Policy,

UEAPME,

Rue Jacques de Lalaingstraat 4,

B - 1040 Brussels,

Belgium.

Dear Liliane,

Your call for comments from UEAPME members of 22nd May refers. On behalf of our local members, ISME responds as follows:

1. We concur with the Commission's observations on our government debt levels, and urge the Government to resist all calls from the public service unions to increase the inequality between public and private sector workers by awarding unjustifiable pay increases.

2. While we note Ireland is on target to meet its structural debt targets, these are based on GDP figures which we consider wholly unrepresentative of our Gross National Income (GNI). The fiscal effect of this is that Ireland's Debt/GDP ratio underestimates our level of indebtedness. We therefore believe that the Government should commit to a more prudent (lower) debt target.

3. We support the strategy of creating a 'Rainy Day Fund' and the broadening of the tax base. The indexation of property tax should not be prevented, as it is a key part of maintaining a more diverse tax base.

4. If diesel for road transport is to be adversely taxed, then the Government must adequately encourage the take-up of alternative fuel sources. This will require the introduction of long-term incentives to encourage investment in alternative means of propulsion. We note also the recent plethora of reports suggesting the banning or penalisation of diesel engines due to their particulate and NOx emissions. These ignore the fact that petroleum engines remain higher producers of CO_2, and

that engine technology in the N3 vehicle category permits vehicles fully compliant with Euro VI standards. Global warming has not gone away, and GHGs remain an issue. We ask the Commission not to encourage fiscal responses which would disproportionately hurt a peripheral island nation with a low-density, dispersed population. We would also encourage the Commission to urge Ireland to take a far more robust stance on fuel-laundering, which is highly destructive to both the environment and to revenue collection.

5. We support the Commission's commentary on multi-annual accounting principles, and to this end, we believe Ireland should follow OECD best-practice and adopt accrual accounting principles in the preparation of its National Accounts.

6. We agree with the commentary on the prioritisation of skills training in the Irish economy, and support the greater provision of affordable childcare to assist with greater workforce activation among women.

7. We strongly endorse the Commission's commentary on Ireland's underinvestment in infrastructure, particularly in housing, water, R&D and transport. The multiple of the national average house price to the national average industrial wage has returned to a level last seen before the great recession. With the substantial difference between public and private sector wages, this represents a substantial cost 'push' towards the private sector, especially towards SME employers and employees. Contrary to the Commission position, we believe Ireland should be allowed to relax fiscal constraints to address infrastructure deficits, once there is no relaxation of fiscal controls on the current account. The government's publication of its Public Sector Pay Commission report acknowledged that Irish public sector workers are among the best paid in the EU. Further current spending should be constrained, while infrastructural spending should be prioritised.

8. We are delighted to see the Commission acknowledge Ireland's underinvestment in the productivity, innovation and R&D capacity of the indigenous SME sector. We believe a refocus of resources onto the SME sector is imperative.

9. We acknowledge the issue with SME indebtedness, and believe Ireland has not gone far enough in providing rapid routes towards the resolution of insolvencies. Debt forgiveness for viable businesses must be accelerated.

10. The Commission is correct to point out Ireland's failure to modernise its legal services regime. Competition must be increased, and costs must be reduced; as must the time taken for the resolution of contractual disputes.

11. We draw the Commission’s attention to its own 2016 SBA Fact Sheet for Ireland, and encourage it to frame its future recommendations for Ireland in this light. It noted the need for Ireland to improve its regimes for insolvency/bankruptcy; state aid and public procurement; environment; and internationalisation.

12. Lastly, we do NOT concur with the Commission’s position that all windfall gains should be targeted at debt reduction. The Commission’s opinion contradicts its own position on Ireland’s need to rapidly invest in its infrastructural stock. Furthermore, it would represent a continuation of a pro-cyclical macroeconomic policy that should not have been adopted in the first place. Bearing in mind the fact that the (ECB-led) socialisation of private debt onto the sovereign account was of dubious propriety in the first place, the notion that any windfall gains from the sovereign’s floating of equity in baled-out banks is illogical and unacceptable.

Yours sincerely,

Neil McDonnell

Chief Executive