

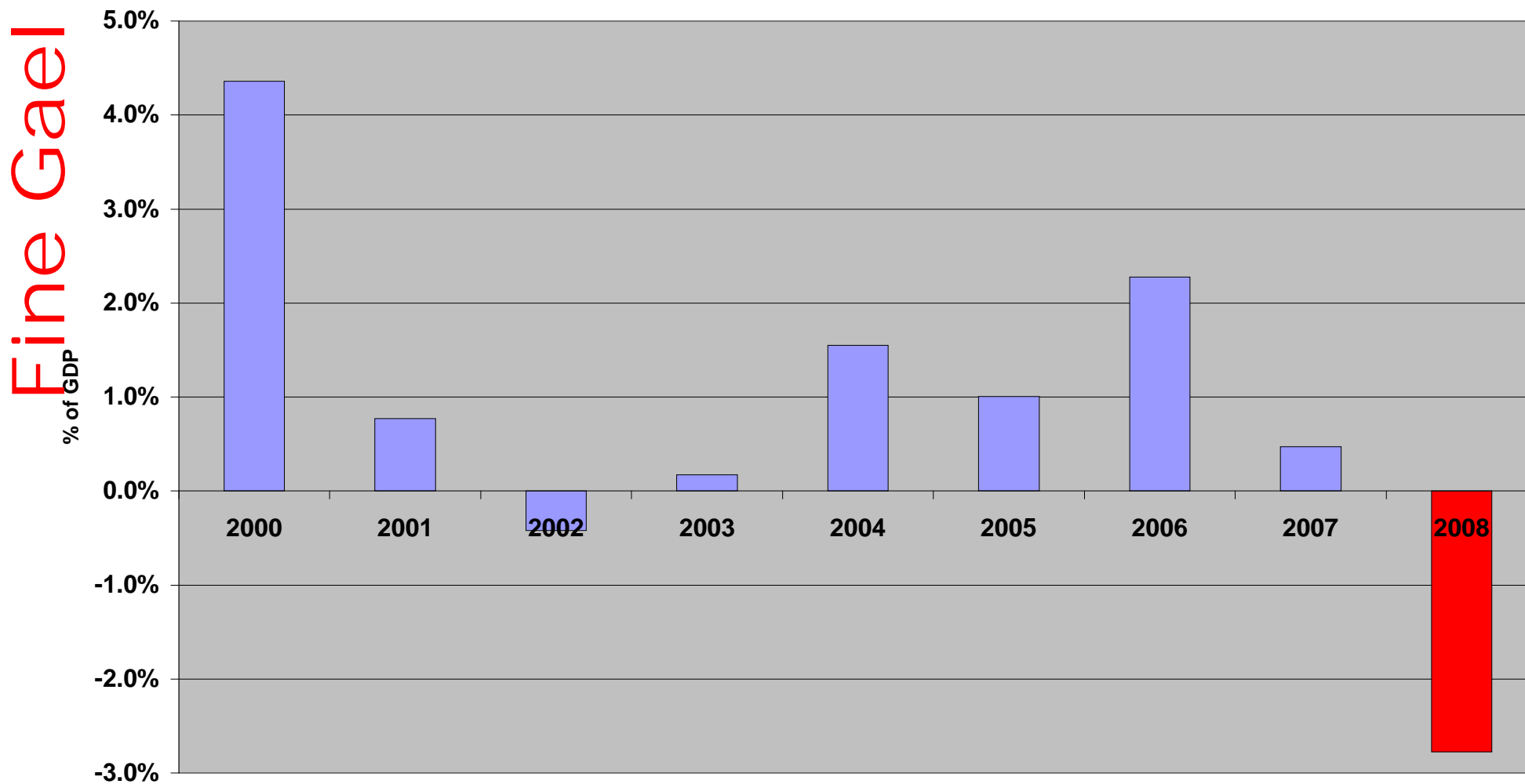
Recovery through Reform

A Fine Gael Analysis and
Action Plan on the Economy
July 2008

Change in Economic Performance 2007-08

	Growth (GDP)	Gov. Bal (as a % of GDP)	Unemployment (%)
Ireland	-5.7%	-3.0%	+1.2%
UK	-1.2%	-0.7%	+0.1%
USA	-1.0%	-2.4%	+0.8%
Euro Area	-0.9%	-0.5%	-0.2%
OECD	-0.9%	-1.0%	+0.1%

General Government Balance

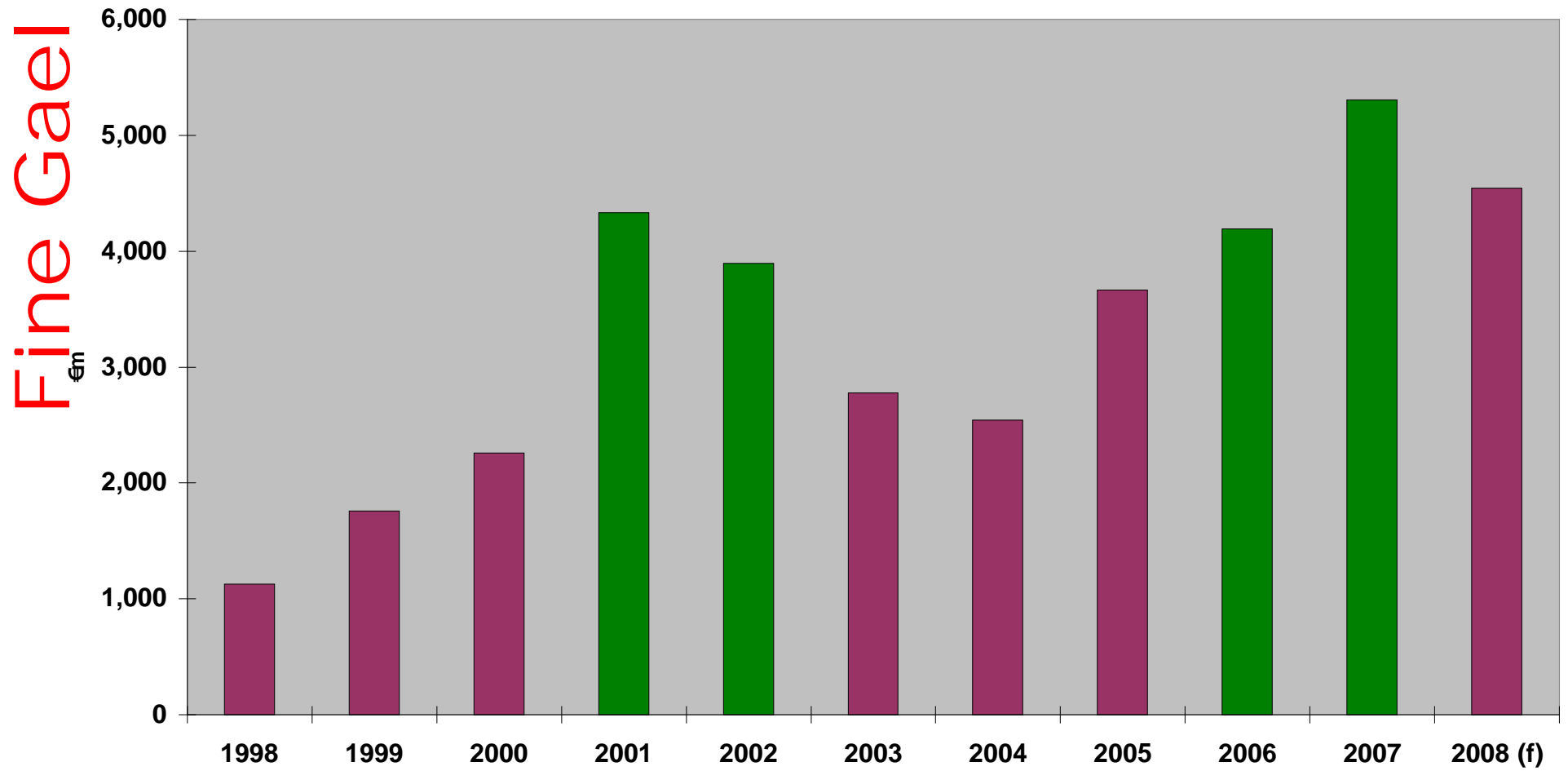


What's Gone Wrong?

Cowen's 3 Fiscal Blunders

- 1. Inflationary budgets to meet electoral needs killed competitiveness**

Fianna Fáil's "Twin Peaks" Annual Increases in Gross Voted Current Spending

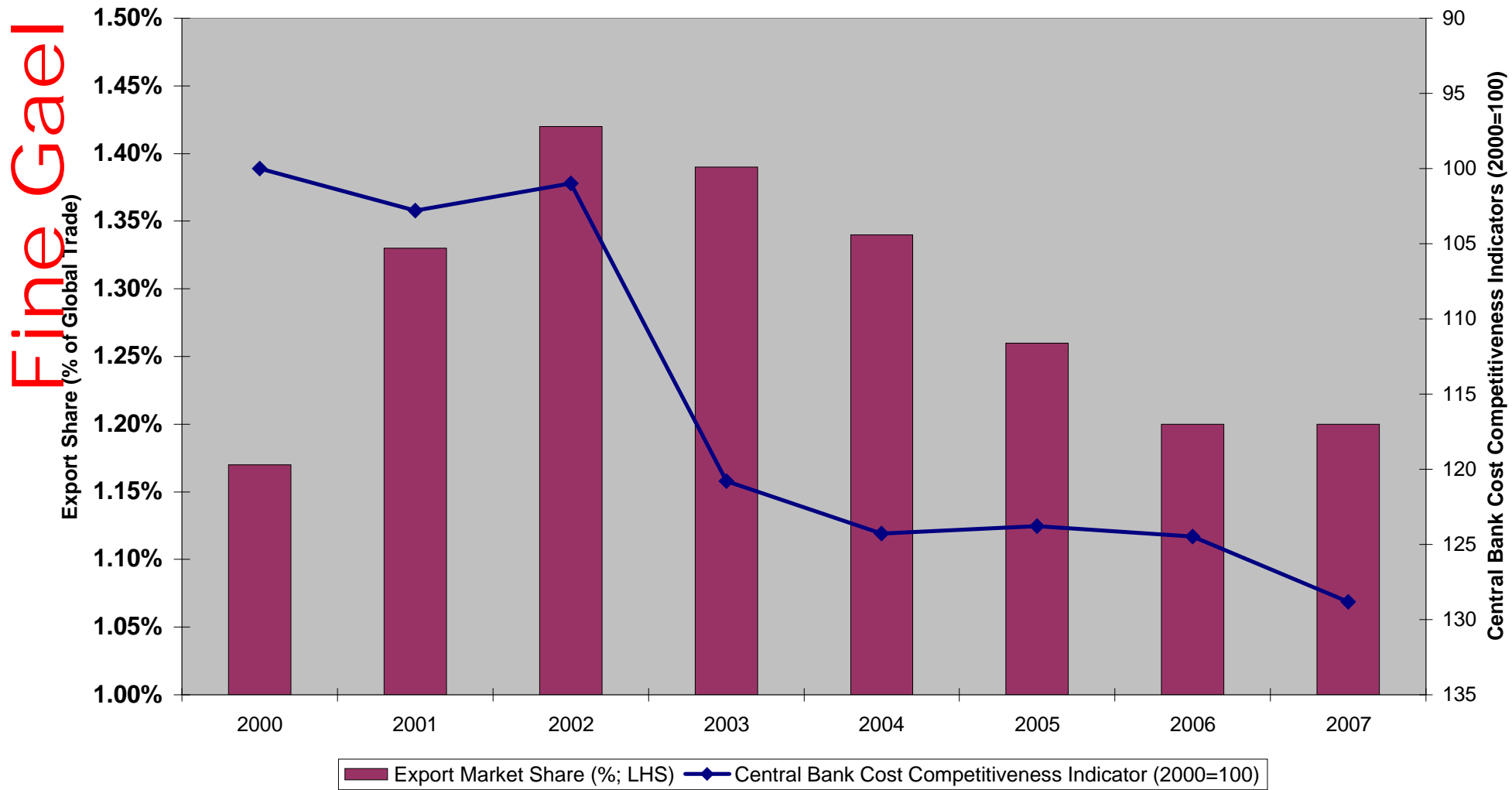


Inflationary Budgets Destroyed Competitiveness

1999
2000
2001
2002
2003

	2004	2005	2006	2007	2008 (F)
Change in CABB (% of GDP) Announced on Budget Day	0.4	-1.3	-0.6	-0.9	-1.0
CPI Inflation (%)	2.2	2.5	4.0	4.9	4.5
House Inflation (%)	11.6	7.2	13.4	1.2	-9.0
Balance of Payments (% of GDP)	-0.6	-3.5	-4.1	-5.9	-5.8

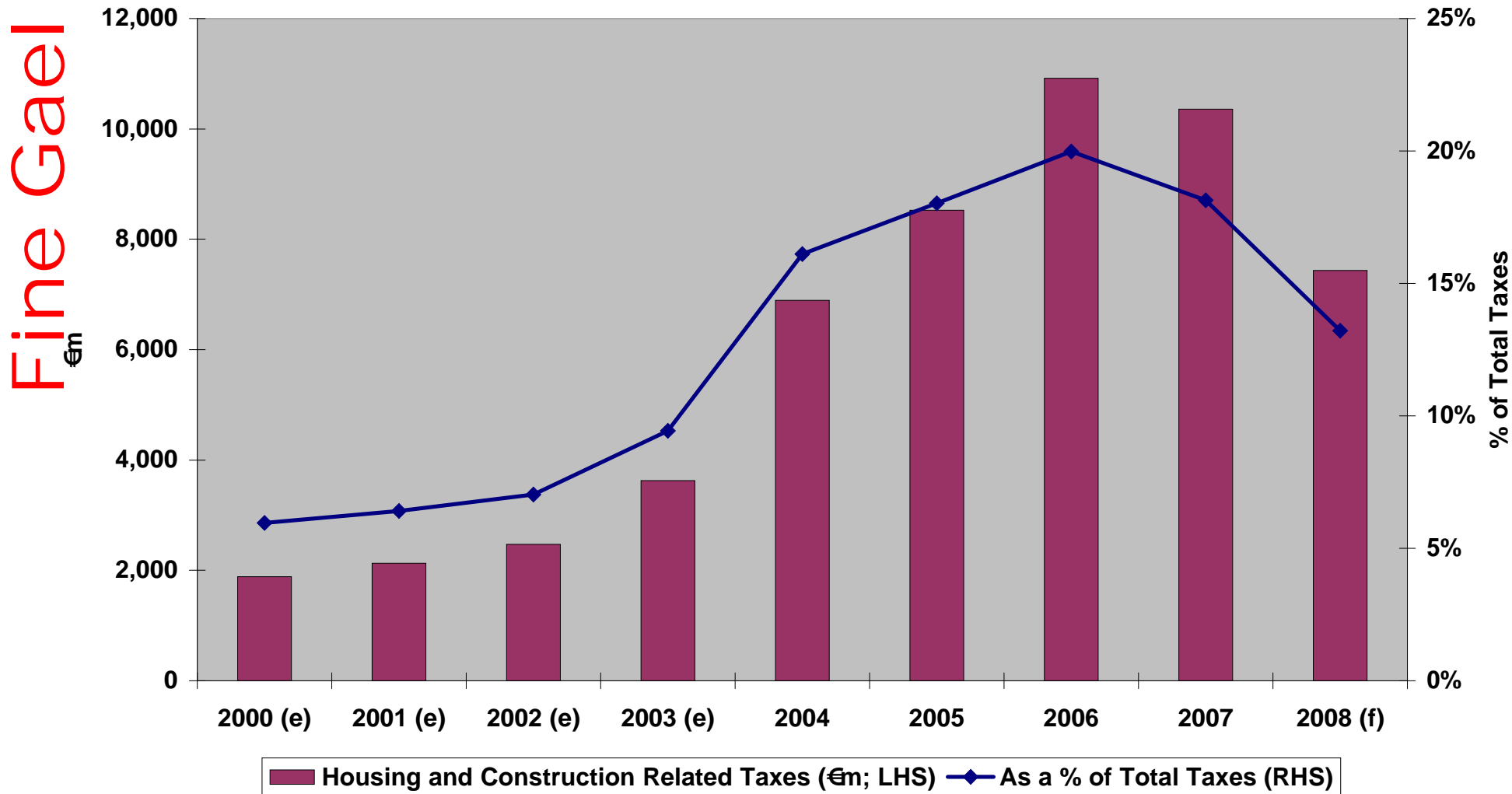
The Slow Death of Ireland's Competitiveness



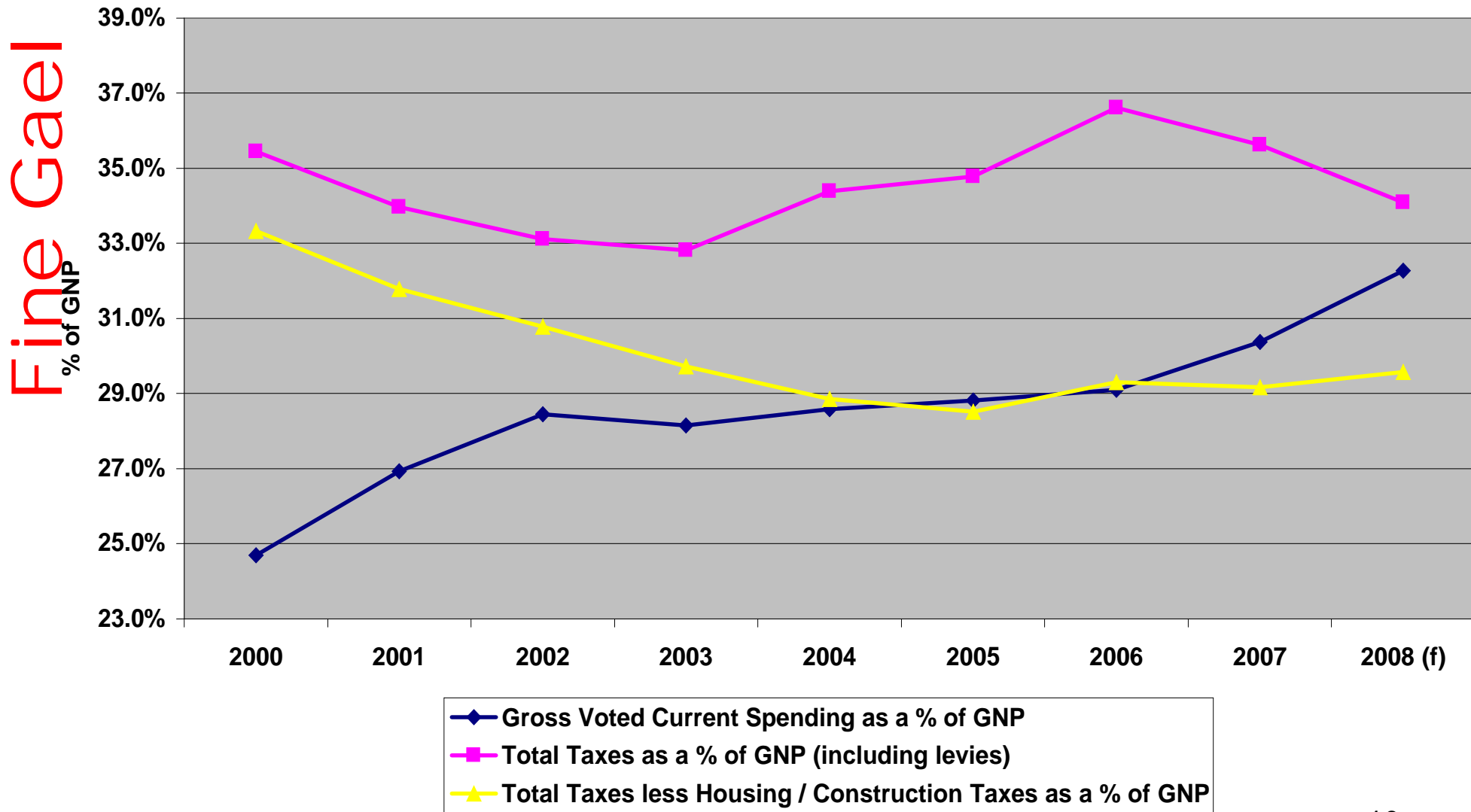
Cowen's 3 Fiscal Blunders

1. Inflationary budgets to meet electoral needs killed competitiveness
2. **Huge increases in day-to-day spending financed by unsustainable property taxes**

Cowen's Property Tax Windfall



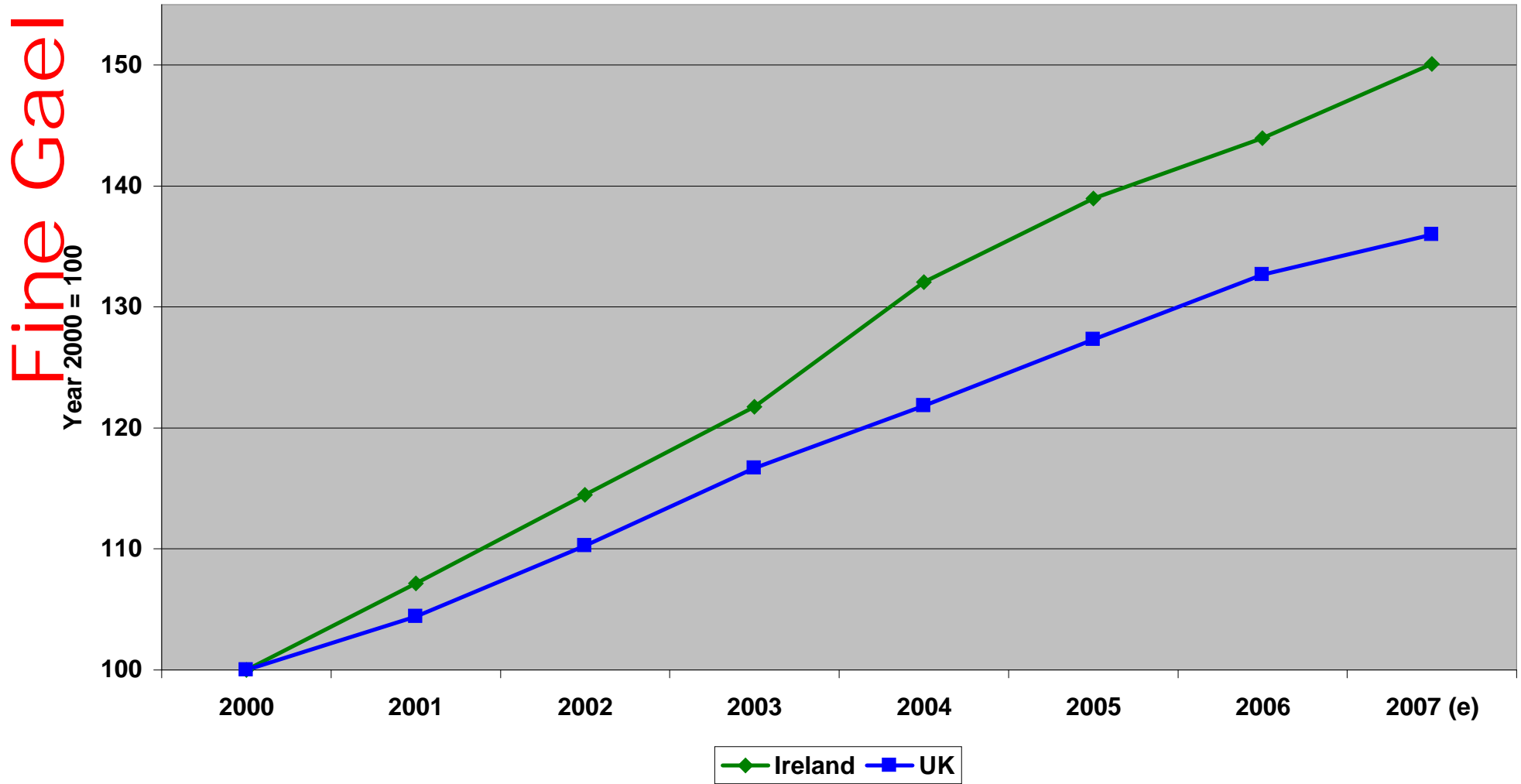
Taxation and Voted Current Spending 2000-08



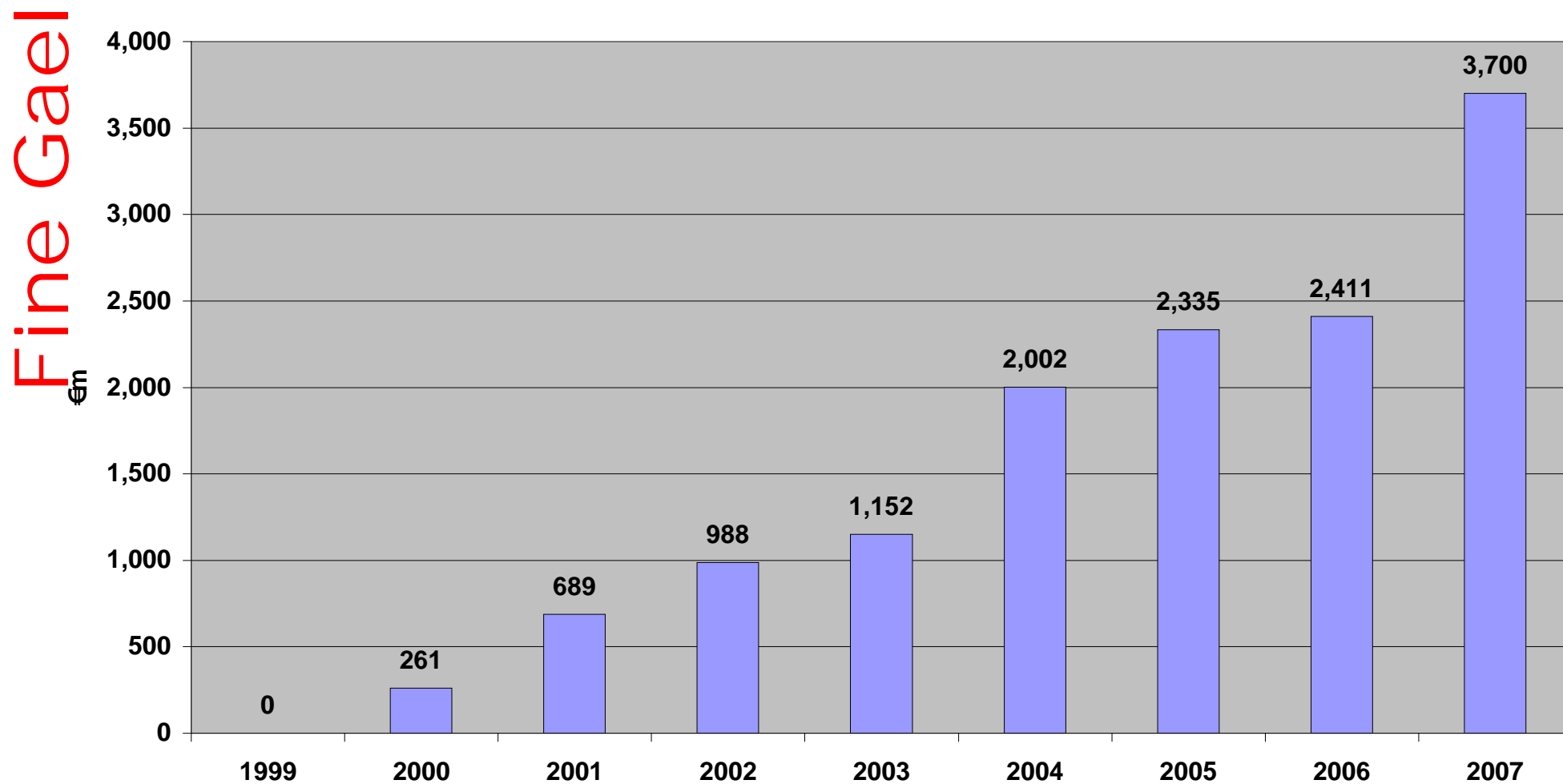
Cowen's 3 Fiscal Blunders

1. Inflationary budgets to meet electoral needs killed competitiveness
2. Huge increases in day-to-day spending financed by unsustainable property taxes
3. **Stalled public sector reform and abandoned value for money disciplines**

Cost Inflation in Day-to-Day Government Spending - UK vs. Ireland



Annual Exchequer Savings if Cost Inflation Had Been Kept at UK Rates from 2000

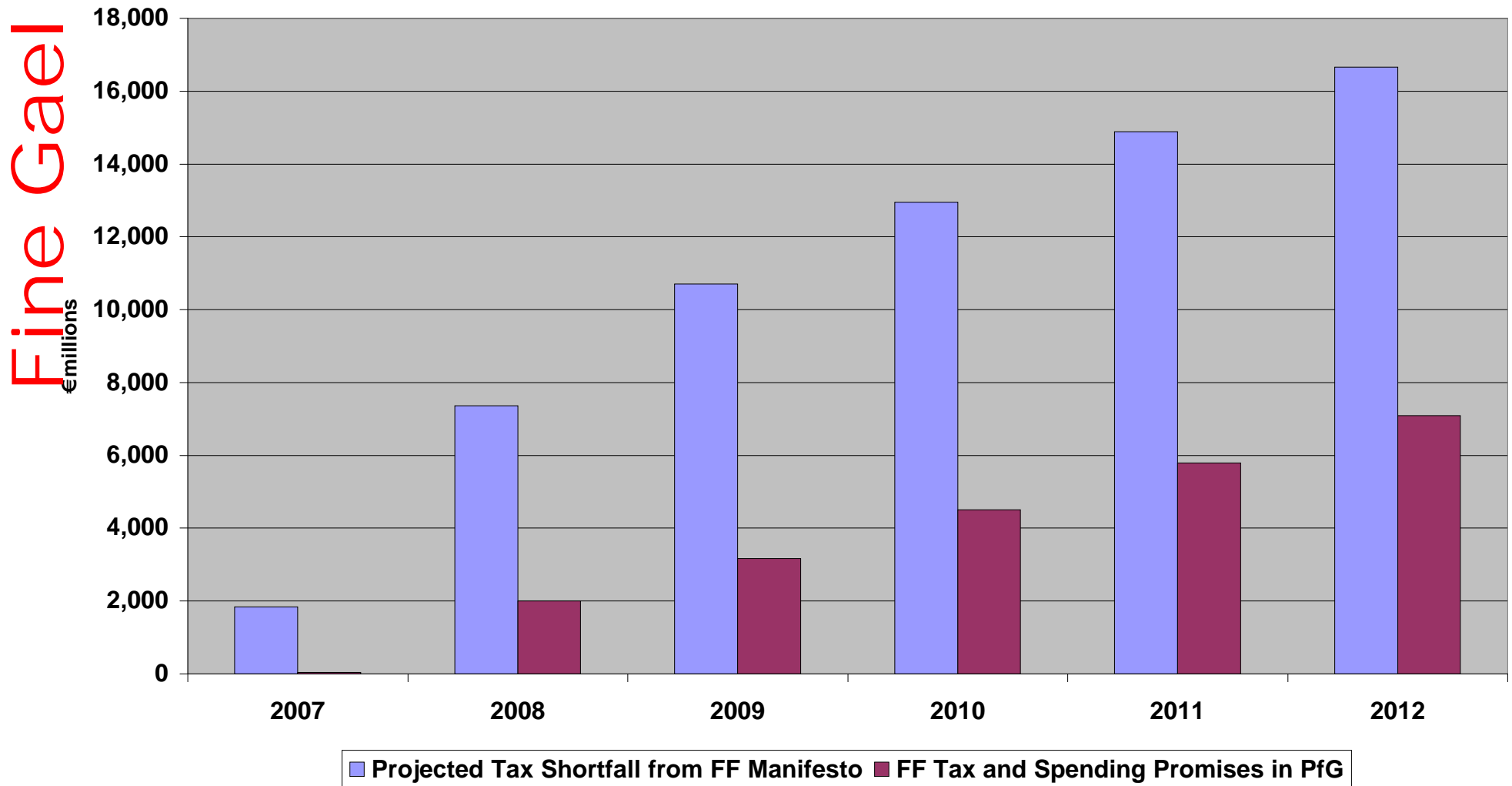


Catalogue of Waste

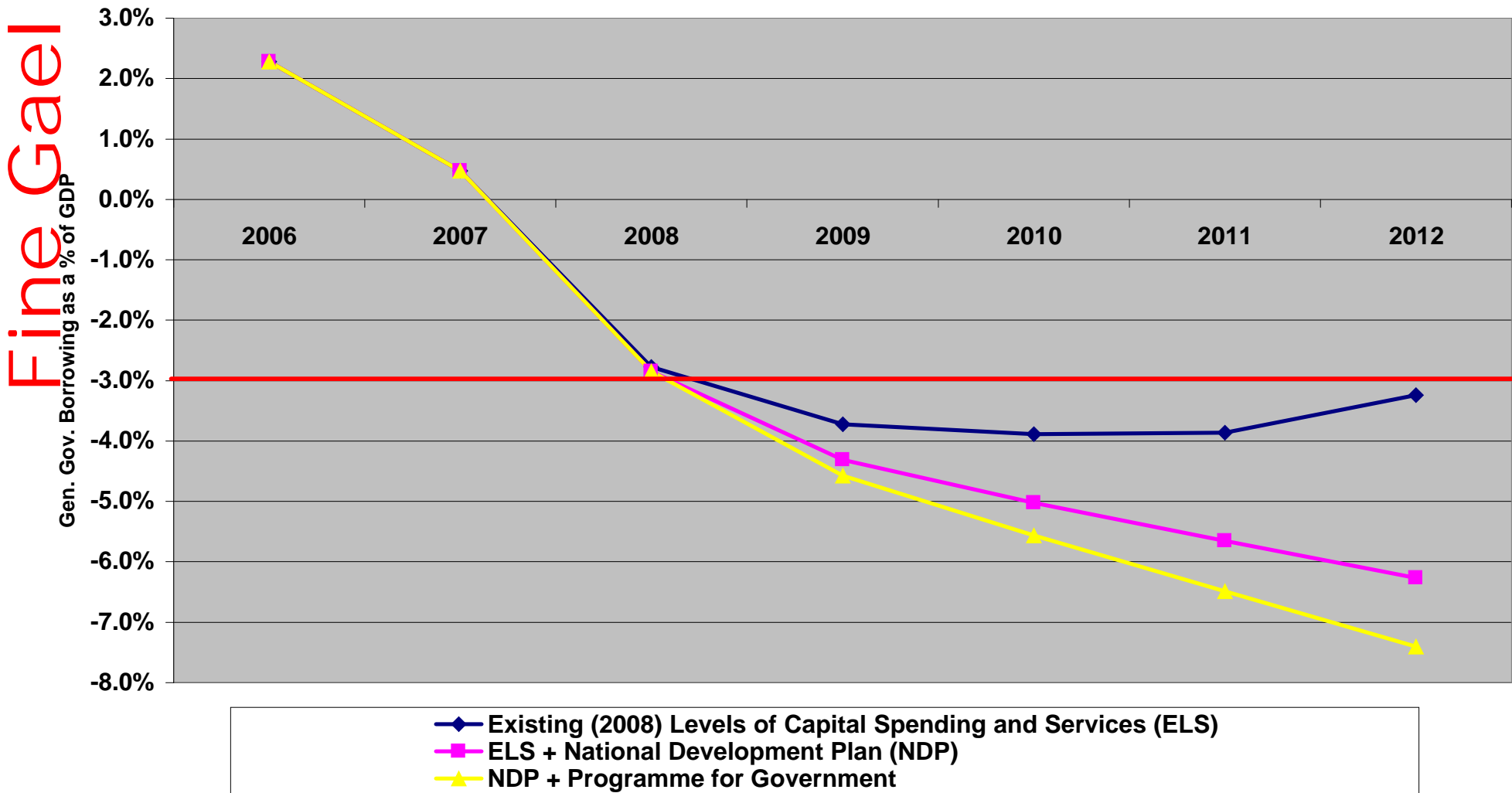
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025

- Benchmarking without reform
- 250 new quangos
- Creation of HSE bureaucratic nightmare
- Decentralisation
- Project mismanagement (PPARs, eVoting)
- Massive over-spend on projects

Blackhole in the FF Programme for Government



Threat of Sustained Breach of 3% of GDP Borrowing Limit



What is the Government's Track Record?

- More “Soft option” politics
 - Bad choices in capital prioritisation
 - Leave dysfunctional bureaucracy intact and find savings in front-line services for the vulnerable and voiceless
 - Mental health
 - Disability
 - Stealth taxes on fuels, “bads” and wages

Recovery through Reform

1
2
3
4

Cut obvious and avoidable waste

1. Cancel ministerial and higher public service pay rises
2. Cut number of junior ministers by at least three
3. Announce list of agencies to be rationalised in 2008-09
4. Release up to €400m from failed decentralisation programme

Recovery through Reform

Judicious Measures to Stabilise Inflation and the Economy

- Close stamp duty loophole for landowners/developers and use funds to cut duty rates for ordinary families trading up and down
- Cut VAT from 13.5% to 12.5% using a €1.5bn carbon windfall levy on power generators
- Freeze state charges (hospitals, transport, TV licence etc.)
- Finalise moderate pay deal supported by credible commitment to bring inflation down below euro area average

Recovery through Reform

A New Way to Budget from 2009

1. Rising deficits/debt without reform pose a serious threat
2. Limit growth in net voted current spending to 4% in 2009-11, but accelerate capital spending in line with NDP commitments
3. Abandon “Existing Level of Service” estimates process
 - Require all departments and agencies to find 1% budget savings each year
 - Creates for 2009 a €2.0 bn “Strategic Fund” to finance priority welfare and service improvements e.g. indexing social welfare and keeping promises on teachers, Gardai and medical staff

Recovery Through Reform

Economic Reform Programme

1. Public Sector Efficiency
 - Accountability with consequences
 - Staff mobility and open recruitment
 - Procurement
2. Regulation and Competition
 - Electricity grid
 - Bus competition
3. Grow Productivity through ICT and Innovation
 - Next Generation Broadband Roll-Out