

Press Release

Forfás 2000 Review and 2001 Outlook Statement

- **RECORD JOB PROMOTION PERFORMANCE IN 2000 WILL BE DIFFICULT TO REPLICATE IN 2001.**
- **REMOVE BARRIERS TO TIMELY DELIVERY OF INFRASTRUCTURE REQUIREMENTS.**
- **URGENT UPGRADING OF ELECTRICITY INFRASTRUCTURE CRITICAL.**
- **FURTHER STRENGTHENING OF COMPETITION POLICY AND REGULATORY REFORM ESSENTIAL.**
- **DELAYS IN PREPARATION FOR EURO CHANGE-OVER RAISE RISK OF INCREASED COSTS AND LOST BUSINESS FOR FIRMS.**
- **INVESTMENT IN R&D AND KNOWLEDGE-GENERATION THE KEY TO SUPERIOR COMPETITIVE PERFORMANCE BY FIRMS.**

Highlights

- The Forfás Employment Survey for 2000 indicates that job gains in permanent full-time employment in the client firms of Enterprise Ireland and IDA Ireland, amounted to over 40,300 in 2000 – the highest level every achieved. It also indicates that further progress was achieved in the regionalisation of agency promotional activities with over 20% of gross job gains in 2000 going to the BMW region compared with just over 17% in 1999.
- While some acceleration in job losses became apparent towards the end of the year overall job losses in Enterprise Ireland and IDA Ireland client firms combined *declined* by over 3% to 18,400 in 2000 compared with 1999. These job losses, which were mainly in labour-intensive and low margin sectors, highlight the continuing need for industry to improve competitiveness and to move towards higher value-added sectors in order to maintain growth and employment.
- Results from the Forfás Irish Economy Expenditures (IEE) Survey show increased spending by companies in the manufacturing and internationally traded services activities in 1999. This spend in the economy was over £25 (€32.1) billion in 1999 – up over £2 (€2.7) billion (9.33%) on the previous year in real terms – and made a significant contribution, both directly and indirectly, through its multiplier effects, to the high levels of growth and employment experienced throughout the economy. Both Irish-owned (IR£12.7 (€16.2) billion) and foreign-owned ((£12.5 (€15.9) billion) firms increased their spend on wages and salaries, Irish raw materials and Irish services in 1999.
- Forfás analyses of State investment to promote the development of the enterprise sector show a continuing shift from fixed asset related supports to other forms of support such as R&D, equity investment, employment grants and supports aimed at upgrading the business capability of firms. The analyses highlight the increasing importance of a knowledge-driven dynamic to the development of a competitive enterprise sector in Ireland. Supports provided

by the development agencies towards fixed asset investment declined from 46.5 % of their total direct expenditure in 1988 to 35% in 1999.

Launching the Review and Outlook Statement, Mr John Travers, Chief Executive Officer, Forfás said a number of critical issues will affect the growth and competitiveness of enterprise in 2001:

“There is a need for the *providers of social and economic infrastructure*, at the unprecedented scale and development now required, to do so in a planned and timely way which avoids the emergence of gaps between supply and demand for infrastructural services or the exacerbation of such gaps which are already being experienced. In doing so they require, increasingly, to adopt a communications strategy, supported by Government and the development agencies, which brings out clearly to the general public and to local communities, the importance of the provision of the infrastructure concerned in meeting social and economic objectives at both national and local levels.”

“There is an equally important obligation on local communities and their leaders – political and non-political – to support and facilitate the timely provision of social and economic infrastructure essential for future social and economic development. In doing so there is a need to recognise and accept that the provision of essential social and economic infrastructure frequently brings change in the physical environment – but that such change can be managed in a practical and pragmatic way which respects good principles of environmental conservation.”

“The pace and scale of the expansion of the economy in recent years has reduced the size of the country’s *electricity* reserves and created an *immediate* requirement for new generating capacity and significant new investment in the expansion of the transmission and distribution infrastructure in advance of the further significant increase in demand for electricity expected over the 2001-2002 period. Accelerating the planning and implementation process to develop the transmission network, particularly in the BMW region, is critical to the effective promotion efforts of the development agencies in the regions. It is also

essential to achieve the upgrading of facilities in existing centres of industrial growth needed to meet the requirements of a modern, high-tech industrial structure.”

“A strong, pro-active *competition policy and well thought-out regulatory* reform can make markets more efficient, providing consumers with a wider choice of goods and services at lower costs. It also helps to ensure that business firms in the traded and non-traded sectors achieve and maintain the competitiveness essential to their contribution in meeting national social and economic objectives. Strong and concerted action is, however, required to ensure that all sectors in Ireland are opened to the full impact of competition. Additional resources are required to ensure that infringements of Competition Law are effectively monitored and that adequate powers of enforcement are available to the Competition Authority and to the various Sectoral Regulators. Considerable achievement has been made on a number of fronts in the broad area of regulatory reform in recent years but there is scope for further progress to match best international practice. The OECD study of the regulatory reform status and requirements in Ireland, being undertaken, at present, at the request of the Government, will be an important focus for identifying further initiatives in this area.”

“The enterprise sector faces a crucial challenge this year in preparing for the *changeover to the euro* in January 2002. Much progress has been made but a considerable degree of complacency continues to exist. A significant number of businesses appear to have decided that their changeover arrangements can be delayed until the latter half of 2001. Delaying preparatory action *now* will mean greatly increased competition for the key services which business will require to assist with the changeover - particularly in the areas of information technology, accounting and finance. In many cases firms will simply not be able to gain access to the required services for an effective changeover process at a reasonable price and their business will suffer the consequences. Exporting firms in particular should give their changeover plans a high priority to ensure their businesses do not lose out in markets abroad.”

“There is evidence of a *slowdown in the US economy*. A significant US slowdown could result in a postponement or cutback in investment in US-owned projects in Ireland. At the same time it is important to bear in mind the fact that Ireland has been an exceptionally competitive and profitable location for investment by firms from the US and other countries and this provides some assurance when locational choices on investment changes are being made by such firms.”

“There are also some indications of a *weakening of sterling* and if this accelerates it will lead to pressure on Irish-owned companies who have benefited significantly from the strength of sterling in recent years. Firms need to develop contingency plans for these eventualities.”

“Ireland is approaching full employment and an increasing emphasis needs to be placed on improving our standard of living by moving up the value chain in the production of goods and services. This requires a knowledge driven society, supported by a high level of *Research and Development*. The establishment of *Science Foundation Ireland* by Forfás, at the request of the Government in 2000, to invest over £500m in basic research in Biotechnology and Information and Communication Technologies is an important step in this direction.”

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