

PRESS RELEASE

- IRELAND MUST MOVE UP THE ECONOMIC VALUE CHAIN BY BECOMING A HIGH TECH, HIGH INCOME ECONOMY - FORFAS ANNUAL REPORT

- TONER ANNOUNCES RETIREMENT AS CHAIRMAN OF FORFÁS

Ireland must accelerate preparations for the next wave of investment, which will be based on e-commerce - as part of a central policy of moving up the economic value chain to become a high tech, high income economy, the Chairman of Forfás, Mr Tom Toner, said at the publication of the Forfás Annual report for 1998 today 9th August, 1999.

Mr Toner said it was essential that Irish business firms are well positioned to exploit the growing opportunities associated with e-commerce in both business-to-business and business-to-consumer fields. While welcoming the recently announced telecommunications project to greatly expand telecommunications links with the rest of the world, he said that it was vital that Ireland had the capacity, efficiency and skills to fully exploit what had become one of the most rapidly expanding areas of business at the present time.

To this end, he said that Forfás has presented an e-commerce action plan in Ireland to the Tanaiste for her consideration. It was prepared under the guidance of a steering committee chaired by the Department of Enterprise, Trade & Employment with representatives of business, the trade unions and development agencies.

ECONOMIC OUTLOOK

In his chairman’s statement, Mr Tom Toner said that there were strong signs of overheating and of infrastructural and labour-force constraints emerging in the economy – in many ways a consequence of the success achieved.

Mr Toner added that the relative strength of Sterling, which had been of major benefit to Irish-owned enterprises in particular, would not continue indefinitely. “The focus of enterprise policy, therefore, must be based on a recognition that many of the factors that have supported the successful development of Ireland’s economy in recent years are now in a state of transition to a less favourable position.”

NATIONAL PARTNERSHIP AGREEMENT

Social partnership, anchored by wage moderation, has been one of the main factors behind the economic success of recent years. Mr Toner said this was now under some threat. “It is highly important that the social partners in government agree a partnership framework which enables Ireland to maintain its competitiveness and respond flexibly to external events.”

“While building on the achievements of the last decade, a new national partnership agreement must also be consistent with the imperative of a more flexible, dynamic and competitive economy in which there is an equitable sharing of the benefits of growth. Negotiations on any new agreement will face significant difficulties in relating expectations to these realities.”

INFRASTRUCTURE DEFICITS

Ireland’s sustained economic growth has put severe strain on infractural capacity. There are now severe infrastructural deficits and bottlenecks in roads, public transport water and drainage, regional air services and telecommunications.

While Ireland has made great strides in closing the income per capita gap with EU averages, the gap in infrastructure with our more

developed EU partners has not been closed to anything like the same extent. The speed efficiency and effectiveness with which this deficit is tackled will greatly influence economic growth in future years at both national and regional level.

TECHNOLOGY FORESIGHT

The importance of increased investment by the State and private sector in Science, Technology and Innovation has been highlighted in the work of Forfás during 1998. The research infrastructure in Ireland in Universities, research centres and companies is weak relative to Ireland's stage of development. A strong research infrastructure is an essential requirement in developing a high technology, high-income economy.

The publication of the Technology Foresight reports by Forfás guided by the Irish Council for Science, Technology and Innovation (ICSTI) is an important contribution to making further progress in this area.

The objective of the Technology Foresight work undertaken by Forfás, through ICSTI over the past year has been to identify the likely sources of future competitive advantage. The work was undertaken in close consultation with some 200 people deeply knowledgeable across the eight sectors covered by the exercise. The establishment of a £500m fund to be allocated over 5-6 years was recommended to develop world class research capabilities in niche areas particularly in information and communications technologies and in biotechnology.

CORPORATION TAX

One of the most significant developments for Irish business at EU level in 1998 was the approval of a phasing in of a single rate of corporation tax (12.5%) on the lines proposed by Forfas in 1996. Mr Toner said that the single rate of corporation tax would ensure that Ireland remained an attractive location for internationally mobile investment. "It will also give a major boost to firms that do not have access to the 10% rate of corporation tax at present."

REGIONAL AID GUIDELINES

The new EU Regional Aid Guidelines announced in 1998 will have significant implications for Irish business and development policies, according to Forfás. They will lead to a welcome downward movement in State aid across the EU and, if well policed, this will be of benefit to Ireland which cannot provide the same high absolute levels of State aid for projects as wealthier EU countries.

The new aid regime also provides grant-aid on a scale appropriate to the development status of individual regions and this accords with the stronger focus being placed on regional development in industrial policy.

EMPLOYMENT

The Chief Executive of Forfás, Mr John Travers, said that the increase in the average level of employment in 1998 was 77,000, the fifth successive year in which record levels of job creation were achieved. An encouraging feature of the sustained reduction in long-term unemployment which dropped from 90,200 in November 1999 to 51,700 in November, 1998 a decline of 42.6 per cent.

An increase of over 14,000 was achieved in total permanent employment in companies under the remit of IDA Ireland, Enterprise Ireland, Shannon Development and Údarás Na Gaeltachta.

Over the ten year period 1989/98 employment in manufacturing in Ireland increased by over 17.3%. This compares very favourably with other countries such as the UK and the USA, where manufacturing employment fell over the same ten-year period by almost 16% and almost 4% respectively.

Mr Travers said that although economic growth is expected to slow somewhat in 1999 and beyond, compared with the unprecedentedly high growth rates of recent years, it was likely to remain strong, both by historical and international standards over the next two to three

years at least provided that the overall competitiveness of the economy is maintained.

Mr Travers said that the range of work outlined in the Forfás Annual Report for 1998, some of which Chairman Tom Toner has highlighted, is indicative of the broad range of policy issues which determine, or otherwise, the competitiveness of the Irish economy.

The orientation of public policies, in areas such as infrastructural investment, R&D, education, regulation and taxation in a way which meets the needs of the traded goods and services sector of the economy more effectively than is the case in other countries, will continue to be the fundamental determinant of economic success and increased living standards for all sections of society in Ireland. Helping to achieve this is a principal focus of the work of Forfás.

TONER TO RETIRE AS CHAIRMAN OF FORFÁS

At the publication of the Annual Report of Forfás for 1998 on 9th August the Chairman, Mr Tom Toner, also announced that he is stepping down as Chairman of Forfás at the end of 1999. In announcing his retirement as Chairman of Forfás after 6 years he said that he had been asked to become Chairman of Forfás at the time of the restructuring of the development agencies following the recommendations of the Culliton Report on Industrial Policy and the Moriarty Report on its implementation. He said that Forfás, as the “holding company” for the functions and staff of the former IDA, Eolas and ABT had played a central role in ensuring the success of the restructuring that had been put into place.

He noted that the past 6 years have been very good for the development of industry and international services in Ireland with the achievement of record increases in output, exports and employment. A new feature of the formulation and development of industrial and enterprise policy over that period had been its greater integration with the development of related policies in areas such as taxation, education, infrastructure and competition. Forfás had also played an

important role in widening the industrial and enterprise policy agenda into these areas.

In doing so, Mr Toner noted Forfás was responsible for initiating a number of important developments including :

- **the Single Rate of Corporation Tax;**
- **the preparation of the first comprehensive strategy for an information society in *Information Society Ireland : A Strategy for Action* (December 1996);**
- **the establishment of the *Information Society Commission*;**
- **the focus on increased investment in broadband infrastructure in the telecom sector as an essential foundation for the creation of an information society;**
- **the establishment of the *National Digital Park* in Dublin and the roll-out of broad-band infrastructure to the regions;**
- **the establishment of the *Irish Council for Science, Technology and Innovation (ICSTI)* for which Forfás provides the Secretariat and the preparation of a *National Technology Foresight Report* to guide Government investment in R&D under the forthcoming National Plan;**
- **the establishment of the *National Competitiveness Council* for which Forfás provides the Secretariat and the development of a number of seminal reports which bench-mark Ireland against key competitor countries world-wide;**
- **the establishment of the *Expert Group on Future Skills* which, under the Chairmanships of Dr Frances Ruane of Trinity College, Dr Chris Horn of Iona Technologies and Dr Danny O'Hare of Dublin City University has identified the additional requirements for 3rd level places in the IT sector to serve the needs of the business sector in Ireland.**

In announcing his retirement as Chairman of Forfás from the end of the year Mr Toner thanked the Tánaiste and Minister for Enterprise, Trade & Employment, Ms Mary Harney, TD for her support. He also thanked the Minister for Commerce, Science & Technology, Mr Noel Tracey, TD

and the Minister for Labour Affairs, Consumer Rights and International Trade, Mr Tom Kitt, TD for their advice and support. He expressed his appreciation also to Mr Paul Haran, Secretary-General of the Department of Enterprise, Trade & Employment and his colleagues in the Department for their work with and support of Forfás. He paid tribute to the Chief Executive of Forfás, Mr John Travers, and the entire staff of Forfás whom he said were an outstanding group of public servants.

STATEMENT BY TANAISTE ON RETIREMENT OF CHAIRMAN :

Commenting on Mr. Toner's announcement of his retirement as Chairman of Forfás from the end of the year, the Tánaiste, Ms Mary Harney T.D. said that Tom Toner has been an outstanding Chairman of Forfás at a time of the implementation of radical changes in industrial policy. The Tanaiste expressed her appreciation and that of the Government to Tom Toner for the leadership and commitment to public duty he had displayed as Chairman. She wished him well in his forthcoming and well-earned retirement as Chairman of Forfás at the end of the year.

For further information please contact

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TOM TONER : CURRICULUM VITAE

Age: 67 (b. 1932, Kildare)

Academic Qualifications: B.Comm, M.Econ Sc., MBA (All UCD)

Career:

1954-1966: CIE inc. strategic planning and
Dublin Area Manager

1968-1972: Executive Director Allied Irish
Investment Bank (AIIB)

1972-1984: Chief Executive, BWG Limited

1984-1986: Executive Director, Irish Distillers
Group

1986-date: Chairman Arnotts plc
Chairman Irish Ferries
Chairman Tullow Oil
Chairman Inishtec

In 1994: Tom Toner was the winner of the
Outstanding Alumnus Award by the
Smurfit Graduate School of Business at
University College
Dublin

Former Directorships:

Bank of Ireland
Irish Shell
ICL

Business Associations:

IBEC : Council Member and
Executive Committee

Former Chairman FUE
Former Council Member CII
Former Council Member IMI

Public Service: Chairman of Forfás
Member of NESC
Former Council Member
ESRI

