IDA Submission to Department of Transport, Tourism and Sport on its Statement of Strategy 2017-2019.
Introduction IDA Ireland

IDA welcomes the opportunity to provide strategic input into DTTAS’s Statement of Strategy 2017-2019 on IDA’s identified priorities to send a clear signal of the needs of the FDI sector in order to continue to achieve our ambitious and challenging targets.

Foreign Direct Investment (FDI) has played a pivotal role in the economic development of Ireland for more than fifty years, bringing much needed employment and capital to the country. In 2015 IDA client direct employment reached 187,000; the highest in the history of the agency. The client base has continually evolved over the years with new sectors and areas of activity constantly emerging as others decline. The ongoing success of IDA Ireland in replacing declining sectors with growing ones was not and is not inevitable. IDA’s success has been underpinned by the long term investments made by Government in areas such as infrastructure, education and technology. These investments created the environment in which we could drive the growth of services, high value manufacturing and R&D.

The role IDA has played to date continues apace, through partnership with Government and other key stakeholders in delivering its strategy ‘Winning: Foreign Direct Investment 2015-2019’ with an ambitious 5 year target to:

- Win 900 new investments for Ireland
- Create 80,000 new jobs
- Grow market share and maximise the impact of FDI investments
- Focus on a more balanced and heavily targeted Regional Development Strategy

2015, the first year of this strategy, has seen significant progress creating just under 19,000 jobs and 213 investments secured. The first half of 2016 has equally been very strong and IDA is on track to equal this record performance.

Impact of Foreign Direct Investment

The FDI sector has been an important contributor to Irish economic performance since the 1950s, and provided crucial support over the recession. IDA clients’ share of total corporation tax also increased significantly in the recession, supporting public finances growing from 45% in 2007, to 66% in 2014.[1]

In 2014, IDA client companies exported €130bn of goods and services, which accounts for 67% of national exports. IDA clients are significant employers with 187,000 persons employed directly (see table 1 overleaf). Taking into account the multiplier effect an estimated 318,000 persons are directly and indirectly employed in IDA client companies.[2] This represents over one fifth of total private sector employment.[3]

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[1] Strategic Policy Unit DJEI Annual Business Survey of Economic Impact 2014
[3] Private sector excludes public dominated sectors i.e. NACE Sectors O to Q
Table 1: IDA client employment 2005-2014

<table>
<thead>
<tr>
<th>Year</th>
<th>No of Jobs</th>
<th>No of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>100,000</td>
<td>1,000</td>
</tr>
<tr>
<td>2007</td>
<td>115,000</td>
<td>1,100</td>
</tr>
<tr>
<td>2008</td>
<td>120,000</td>
<td>1,200</td>
</tr>
<tr>
<td>2009</td>
<td>125,000</td>
<td>1,300</td>
</tr>
<tr>
<td>2010</td>
<td>130,000</td>
<td>1,400</td>
</tr>
<tr>
<td>2011</td>
<td>135,000</td>
<td>1,500</td>
</tr>
<tr>
<td>2012</td>
<td>140,000</td>
<td>1,600</td>
</tr>
<tr>
<td>2013</td>
<td>145,000</td>
<td>1,700</td>
</tr>
<tr>
<td>2014</td>
<td>150,000</td>
<td>1,800</td>
</tr>
<tr>
<td>2015</td>
<td>155,000</td>
<td>1,900</td>
</tr>
</tbody>
</table>

Source DJEI 2015 Employment Survey

These companies add greatly to the economic activity of the country, spending €18bn directly in the Irish economy. €9bn of this spend is on Irish goods and services, providing an important source of demand for Irish companies. IDA and EI have worked closely together to make more and more connections between the indigenous and MNC sectors, and have seen MNC spend in the Irish economy increase year on year. Clients spend €9bn on payroll, which supports additional activity in every region of the country.

IDA client companies are also key contributors to business expenditure on R&D spending €1.5bn on R&D in 2014 (accounting for c.70% of national spend). Over 12,500 people are working on R&D in IDA client companies (DJEI, 2014).

The contribution of FDI to the economy cannot be taken for granted. The FDI portfolio is in a constant state of flux and continued success cannot be guaranteed. In the past ten years we have seen global business services become more prominent, and the profile of the manufacturing changes, with the reduction of lower value add activities and the focus on high value add manufacturing and R&D. This has supported rapid employment growth in services, and an increase in productivity in manufacturing.

Key Strategic Areas

As a small open economy, Ireland’s ability to achieve sustainable FDI growth is dependent on our relative international competitiveness. Improvements in our competitiveness have been one of the key factors in driving the strong FDI performance. Figure 1 shows Ireland’s improved competitiveness performance in the past number of years. It is vital that competitiveness gains are maintained as the economic recovery progresses.

The National Competitiveness Council annual Cost of Doing Business in Ireland 2016 highlights that domestic cost pressures are beginning to impact on Ireland’s competitiveness. Domestic pressures include labour costs, property costs and availability (commercial and residential), energy costs, motor fuel costs, business services costs (legal, insurance, accountancy).
Building Ireland’s competitiveness and economic prosperity is beyond the remit of any one agency or organisation. It is multidimensional and requires sustained commitment and strong collaboration across a wide range of stakeholders. The attraction of FDI to Ireland is a team effort involving both public sector bodies and private industry.

Today, almost every aspect of a country from its educational system, social and economic infrastructure, tax and labour market policies to level of urbanisation and quality of life are key factors in locational decision-making. Importantly, while IDA may have a lead role in packaging and presenting the proposition to investors, it is very reliant on others (Government Departments, Agencies, and Authorities) to ensure that the proposition is supportive of the FDI agenda.

The following overarching principles are central to a Strategy Statement related to the development of the enterprise sector:-

- Increase capital investment funding, expedite capital investment programmes and be cognisant of the future growth of the economy, anticipating transport infrastructure needs to accommodate and attract future FDI investment;
- Importance of investment in transport infrastructure to maintain our international competitiveness, alleviate bottlenecks and facilitate the projected growth in population and employment at a national and regional level;
- Significant investment in regional transport infrastructure to reduce journey times to and between regional areas to facilitate the delivery of IDA’s regional agenda.
- Ambition to maximise the investment in roads and public transport at minimum cost to the exchequer;
- Integrate the provision of other forms of infrastructure as appropriate including utilities of broadband, water etc.;
- Integration of the regional and local transport investment strategies with the wider national policy framework;
- Facilitate the maximum use of existing rail infrastructure for use as passenger and freight transportation;
• Integration of the various modes of transport in terms of car, rail, cycle and pedestrian reflecting the changing individual commuter patterns and preferences;
• Provide opportunities for enterprise related innovation as part of infrastructure investments, e.g. data related to smart cities and real time information etc.;
• Integrate sustainable transport investment platforms where appropriate;
• Integrated transport infrastructure investment plan to recognise and take account of the expanding population and associated housing stock, at both a national and regional level;
• Maximise the use of available infrastructure including broadband infrastructure and facilitate private sector access on competitive commercial terms; and
• Recognise and exploit opportunities where tourism and enterprise align.

The Specific FDI related policy priorities were set out in our PreBudget Submission and are briefly outlined below:

Roads
While significant improvements in our national road infrastructure have been made, a number of specific road projects are critical to support the national and regional agenda including

• N4 to Sligo Collooney to Castlebaldwin upgrade;
• M8 Dunkettle Interchange;
• N22 Cork to Killarney section between Ballyvourney and Macroom;
• N28 Ringaskiddy to Cork;
• N25 Cork to Waterford section between Castlemartyr and Youghal;
• N20 Cork to Limerick;
• N21 Limerick to Tralee upgrade;
• N5 Westport to Castlebar/Turlough;
• Galway City Outer Bypass; and
• Some specific projects related to IDA’s Business park network including,
  o Sligo (Finisklin): The Western Distributor Road, which links the National Primary N4 dual carriageway at the Caltragh Interchange to the R292 Strandhill Road at Ballydoogan.
  o Galway: (Parkmore East/West) –
    ▪ Signalisation of Parkmore Rd at IDA Roundabout and N17,
    ▪ Upgrade of N6 and Briar Hill Junctions.
    ▪ Construction of Parkmore/Ballybrit link Road
  o Dublin Grangecastle – R134 extension;
  o Cork N25 Carrigtohill Business Park interchange; and
  o Limerick Northern Distributor Road.

Public Transport
The increasing demand for public transport is being driven by a number of factors including

• reduced car ownership particularly among the younger working population;
• growing numbers already at work; and
• growth in population in city locations

IDA Priorities
• enhanced investment in public transport network to support a growing economy;
• bus route enhancements for Mahon Cork and East Point Dublin;
• implementation of the Dart underground proposal; and
• provision of a direct rail link between Dublin City and the Airport

Rationale
The factors outlined above strengthen the case for additional investment in public transport. From an FDI perspective, the public transport infrastructure network is an increasing resource in terms of accessing the necessary labour pool. The FDI priorities outlined above require funding to relieve congestion and facilitate greater access to some specific employment generating locations.

Aviation
Ireland was selected by FDI clients for substance based investments around a number of factors including the ability to access and service key global markets. A key factor in the location decision making process is the availability of international and regional air connectivity. IDA welcomes the establishment the National Civil Aviation Development Forum to further develop the infrastructure and support environment for the sector. In this regard IDA has a number of specific priorities in relation to aviation investment;

IDA Priorities
• maintain essential air services to regional airports;
• the provision of a direct Dublin to Asia air service;
• enhanced services to US and Europe; and
• additional capacity at Dublin airport in terms of a new runway to facilitate new aircraft and new long haul destinations.

Rationale
Ireland was selected by FDI clients for substance based investments around a number of factors including the ability to access and service key global markets. A key factor in the location decision making process is the availability of national and international air connectivity. Additional air connectivity and related infrastructure are key priorities for FDI.

Sharing Economy
Over the last decade, “sharing” has grown from a means of transaction that took place between friends and family to the basis of a pool of global businesses, which are increasingly being valued in the billions. Sharing sectors include: Peer 2 Peer finance, online staffing, accommodation, (i.e. Airbnb), car sharing (Uber) and music/video streaming, etc. It is estimated that these sectors have the potential to increase global revenues from around $15 billion now to around $335 billion by 2025. They also have the potential to disrupt existing organisations, e.g. Hotels and Taxi companies.
Currently Ireland makes no specific reference to the sharing economy. The tourist sector has a direct link with the sharing economy in areas such as the provision of accommodation for visitors. In this context driving Ireland’s efforts to develop and support the sharing economy has relevance from an enterprise and tourism perspective. The strategy statement would benefit from a reference to the opportunities and priorities in terms of innovation, platform development and taxation environment to maximise the growth of the sector.

Conclusion

The FDI sector is an important contributor to Ireland’s economic performance including, providing critical support to Irish GDP, employment and government revenues. While Ireland continues to outperform its competitors in attracting FDI, its success can never be taken for granted. Therefore, it is important that Ireland retains and improves our relative international competitiveness for FDI.

This submission has been prepared to set out the relevant priorities identified by IDA, in order to ensure that Ireland meets the ambitious targets set out in both the IDA 2015-2019 strategy and the new programme for government.