



MID-WEST REGION

# A BUSINESS PERSPECTIVE ON THE WAY FORWARD FOR THE MID-WEST



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© March 2004

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# INTRODUCTION

This report presents a regional analysis identifying the key economic drivers of business success and competitiveness in the Mid-West region. The IBEC Mid-West Regional Executive Committee (REC) will use the findings from this analysis to lobby for the development of an environment in the region more conducive to enterprise.

Ireland is a small open economy. Industry is export-oriented, which means business in Ireland must deal with the opportunities and challenges presented by globalisation – more customers and trading partners and greater competition. Business in Ireland is also affected by developments in the European Union.

The National Development Plan (NDP) 2000-2006 is the largest and most ambitious investment plan ever drawn up for Ireland. It involves an investment of over €52 billion of public, private and EU funds (in 1999 prices) over the period 2000-6. The Plan involves significant investment in health services, social housing, education, roads, public transport, rural development, industry, water and waste services, childcare and local development. From a business perspective, the NDP's impact will be greatest in areas such as roads, waste management, energy and telecommunications.

The NDP identified a lack of sufficient regional balance in economic and employment development. In November 2002, the National Spatial Strategy (NSS) was published, setting out a coherent national planning framework for Ireland over the next 20 years. The NDP embodies government efforts to assist companies in moving up the value chain. Greater focus is now being placed on helping companies build capability and capacity, with emphasis on strategic planning, management training, skills development, marketing and, most importantly, R&D.

The lack of foreign direct investment (FDI) locating in the Mid-West region, particularly in the last five years, is a major issue for business. From a sectoral

perspective, the global economy hugely influences competitiveness as companies are benchmarked against operations across the world. Domestic cost pressures, currency fluctuations and inflation are being brought sharply into focus as the competitiveness of Irish companies diminishes. Strategic planning, change management, market development and new product development are growing in importance as market conditions change. These complement key business management skills in core functions such as finance, operations, logistics, marketing and human resources.

Despite global changes, the fundamentals of business remain the same. Companies must stay profitable in order to survive, and invest to protect their long-term future. Competitiveness is the priority.

## RESEARCH METHODOLOGY

In July 2003, IBEC surveyed 350 members based in Limerick, Clare and North Tipperary. A total of 102 companies responded to the postal questionnaire. The respondent companies employed a total of 14,316 full-time employees and 2,078 part-time employees in 2003. Total payroll costs of respondents amounted to over €550 million in 2002.

In October 2003, IBEC Mid-West conducted focus-group interviews with 35 member companies across a variety of sectors in the region to explore their views in greater detail. The analysis highlights key business issues for the attention of policy makers and recommends the development of a coordinated regional strategy for the promotion of business in the Mid-West.

The combination of postal responses and more detailed feedback from the focus-group interviews provides for both quantitative and qualitative analysis which forms the basis for recommendations in this report.

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# EXECUTIVE SUMMARY

This report seeks to establish what steps must be taken in order for the Mid-West region to become the location of choice for business over the next 20 years.

The report has found that the key to the future success of the region is the creation by regional stakeholders from business, semi-State organisations and political representatives, of a shared vision and framework for development over the next 20 years. Within this framework, the key drivers of business success and regional competitiveness have been determined under a number of criteria.

The business community must play an enhanced role in developing the region as the location of choice for business. Examples of this would include supporting new air services from Shannon, or participating in networks to share information and undertake sectoral initiatives that would improve the competitiveness of companies in the region.

The development referred to above cannot take place without the delivery of leading-edge infrastructure. The extension of the national rail network to connect Shannon Airport with Galway, Limerick and other areas, allied to an accelerated road network improvement, will be of huge strategic and competitive importance to the region. Other key areas of infrastructure include telecommunications, energy and waste management. The continued development of Shannon Airport could be the catalyst for delivering balanced regional development to the entire West of Ireland.

As with the private sector, the State, through its relevant agencies, has a central role to play in this process. The enterprise development agencies – IDA, Shannon Development and Enterprise Ireland – in conjunction with the local authorities in Limerick City and County, Tipperary and Clare, must create the environment at regional and local level to support the region's indigenous sector and also to attract and retain FDI.

The potential of the tourism sector in the Mid-West must be fully harnessed. The region must cultivate an image which will attract greater numbers of visitors and persuade them to stay longer, thereby increasing the value of their visit.

Finally, a recurring theme in this document is the importance of increasing cooperation between business and third-level institutions. As companies seek to move up the value chain and increase productivity across all sectors, investment in R&D, skills and staff training becomes paramount. Greater cooperation must be developed between companies in the region and the education, training and research sectors.

These key drivers of regional competitiveness underpin an agreed vision for the region. Within this context, this report provides a comprehensive assessment of local, regional and national issues which impact on business in the Mid-West.



# AREAS OF RECOMMENDATIONS

## 1. REGIONAL PLANNING

The Mid-West region needs a strategy to drive development over the longer term. This must be implemented within the framework of the National Spatial Strategy (NSS). The objective of the strategy must be to develop the west coast as a counterbalance to the east coast, which is dominated by the Dublin-Belfast corridor. A national development corridor extending from Cork to Sligo must be created, in which the Mid-West plays a pivotal role. *(For planning recommendations see p.33)*

## 2. SHANNON AIRPORT

The development of a business strategy for Shannon Airport is a priority for its new Board. This plan should be developed to ensure that the airport's maximum passenger capacity is attained by 2010. The airport should be promoted as the gateway for the West of Ireland, which is critically important for tourism. *(For more detail see p. 16 and 17)*

## 3. ROAD INFRASTRUCTURE

Greater investment is required in the Mid-West's regional road network. Top priority must be given to accelerating investment and completion of key projects such as the fourth River Shannon crossing and the Limerick to Galway motorway. *(For more detail see p. 19)*

## 4. PUBLIC TRANSPORT

The provision of an integrated, cost-effective public transport system for the region should be a priority in the successor to the National Development Plan (NDP). *(For more detail see p. 20 and 21).*

## 5. TELECOMMUNICATIONS

A suitably tailored approach is required to ensure that the communication requirements of businesses in the region are met. Such an approach would, for example, include widening access to low-cost broadband. *(For more detail see p. 23 and 24).*

## 6. WASTE MANAGEMENT

The Mid-West must be included within an integrated National Waste Management strategy, involving the use of incinerators as an environmentally friendly alternative for the disposal of hazardous and non-hazardous waste. *(For more detail see p. 24 and 25).*

## 7. ENERGY

An integrated energy and environmental strategy should be developed for Ireland, which ensures that we can meet our long-term energy needs in an environmentally friendly manner. Alternative sources of power such as wind energy should be explored. Business holds serious concerns regarding the proposed introduction of a carbon tax. *(For more detail see p. 26).*

## 8. ENTERPRISE DEVELOPMENT AGENCIES

There is a need to re-examine the way in which foreign direct investment (FDI) is promoted in the region by the relevant State agencies. A more streamlined process is needed involving not only FDI promotion, but also the ease with which business can access State support. In this regard supports for indigenous industry must be less bureaucratic and more business-friendly. *(For more information see p. 29)*

## 9. THIRD-LEVEL INSTITUTIONS

Government initiatives aimed at increasing the level of R&D in the region are regarded as key to moving up the value-added chain. A far greater level of cooperation is required between enterprise and third-level institutions. This would facilitate increased levels of R&D and training. *(For more information see p. 30)*

## 10. TAXATION AND GOVERNMENT CHARGES

Maintaining Ireland's current corporation tax rate of 12.5% is crucial for the retention of multinationals and attracting new FDI to the region. Other taxation issues, inflation, service costs and insurance all have cost implications for business in Ireland, and must be addressed. *(For more detail see p. 32)*

## 11. QUALITY OF LIFE

This is another important factor in promoting the Mid-West as a place to live and work, and by extension, attracting FDI to the region. The major assets of the region contributing to a good quality of life should be highlighted and promoted. *(For more detail see p. 34)*

## 12. SECTORAL REQUIREMENTS

A number of sectors in the Mid-West have particular requirements, ranging from increased management training to more sophisticated marketing and greater levels of R&D. These sectors are as follows: small business, tourism, retail, call centre, software development, electronics, engineering, aerospace, medical devices/healthcare and chemical/pharmaceutical. *(For more detail see chapter 4)*

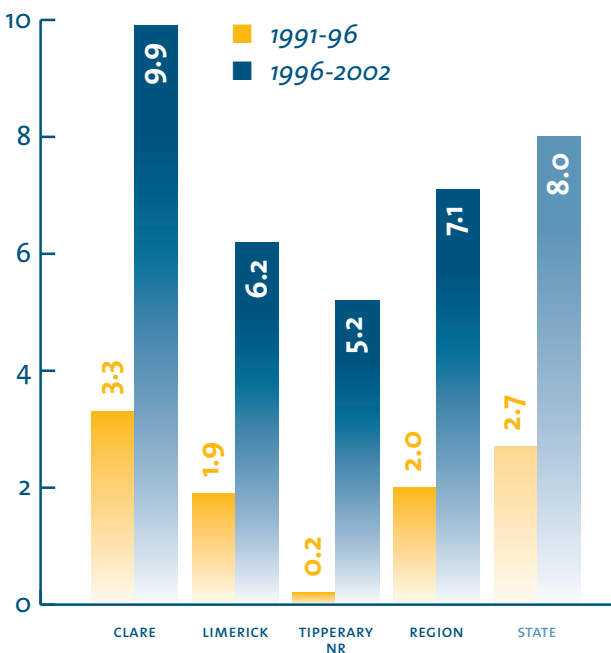
# ECONOMIC PROFILE OF THE MID-WEST

The Mid-West region of Clare, Limerick and Tipperary (North Riding) is one of eight statutory regions in Ireland, comprising over 11% of the State’s land area and just under 9% of the national population. The region includes the Shannon Estuary, with Limerick City as its hub. This chapter profiles the economic structure of the region as a backdrop to examining its competitive position.

## 1.1 POPULATION

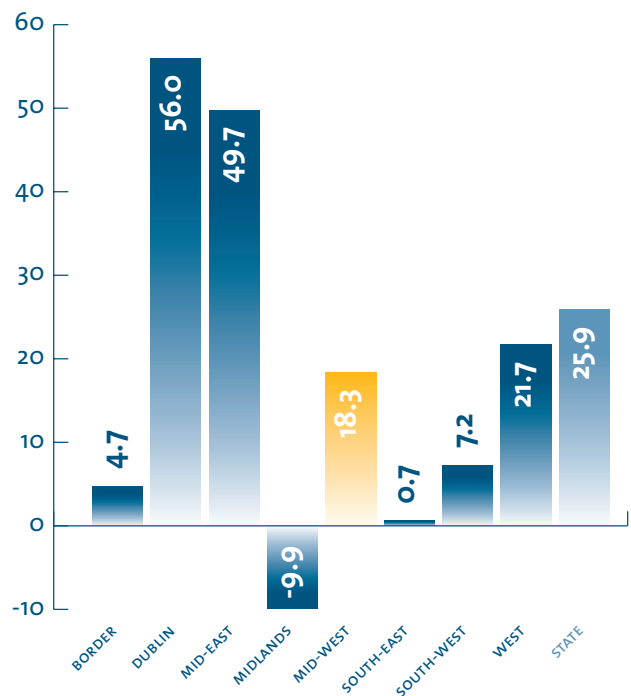
The extraordinary growth of the Irish economy in the second half of the 1990s is reflected in significant population growth, both nationally and within the region. According to the 2002 Census, the Mid-West’s population increased by 7.1% from 1996 to 2002, compared with 8% in the State as a whole (figure 1.1). The most dramatic increase was in Clare, where the population grew by 9.9%, three times the rate of the previous five years.

Fig.1.1 Population Trends (% change)



Source: CSO Census of Population

Fig.1.2 Projected Population (% increase 1996-2031)



Source: Regional Population Projections 2001-2031, CSO

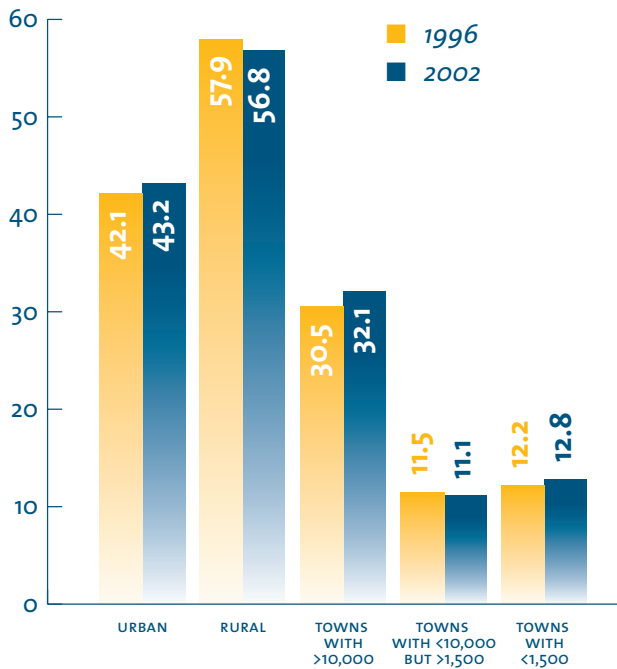
According to Central Statistics Office (CSO) projections, the region’s population is likely to increase by 18.3% (almost 60,000) between 1996 and 2031<sup>1</sup>. However, the CSO also forecasts that, during this 35-year period, over four-fifths of the projected 25.9% population increase for the State as a whole will be in the Dublin and Mid-East regions. These projections take no account of the likely impact of specific policy initiatives, such as the National Spatial Strategy (NSS). Nevertheless, they illustrate the potential dangers associated with lack of balanced regional development and the unsustainable population increase in and around the capital.

<sup>1</sup> Regional Population Projections 2001-2031, CSO



The 2002 Census also reveals that the region's population is becoming more urban than ever before.

**Fig. 1.3 Urban v Rural (%)**



Source: CSO Census of Population

Economic development and higher personal incomes are generally associated with greater proportions of the population living in towns. The region's population is centred on the strong urban core in the triangle formed by Limerick, Shannon and Ennis. Of the Mid-West's population, 146,761 (43%) people live in urban areas, with the remaining 192,830 classified as residing in rural areas. Indeed, 32% of the population of the region lives in an urban area with a population of between 10,000 and 99,999, which is higher than the State average (17.8%). The massive growth of Ennis, where the population has increased by 25% in six years, is the most significant development since the 1996 Census. With a population of over 22,000, Ennis is now the 10th largest town in Ireland. In North Tipperary, Nenagh (+8.4%) and Roscrea (+9.8%) have expanded significantly, but the population of Thurles (+3.8%) has not increased to the same extent.

**Table 1.1 Age structure of Mid-West's population**

AGE (YEARS)	PERCENTAGE OF TOTAL POPULATION	
	1996	2002
0-14	23.9	21.2
15-24	17.7	16.5
25-44	26.8	28.9
45-64	19.8	21.9
65 or over	11.8	11.6

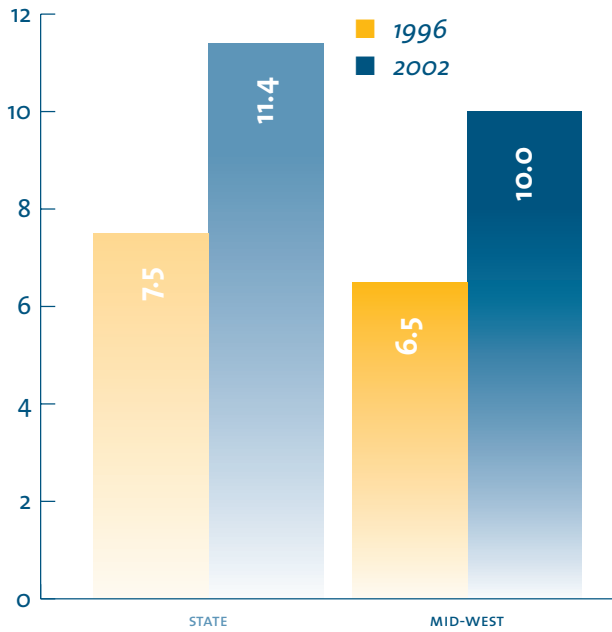
Source: CSO Census of Population

The age structure of the region reflects national trends, with a decline in the youngest age groups and some increases in the older population. This trend has increasing implications for pensions, elderly dependency and demand for places in education. Age dependency ratios provide crude but useful summary measures of the age structure of the population at a particular point in time. The young and old dependency ratios are derived by expressing the young population (aged 0-14 years) and the old population (aged 65 years and over) as percentages of the population of working age (15-64 years). The total dependency ratio is the sum of the young and old ratios. While the dependency ratio in the Mid-West is expected to decline to 49.1% by 2006, this trend will be reversed and the ratio is expected to have reached 55.5% by 2031, largely as a result of the ageing population. The CSO suggests that the average age in the Mid-West in 2031 will have increased to 41.4 years, from 34.3 years in 1996.

Another important demographic trend is the region's increasing ethnic diversity. The number of residents born outside the State is estimated to have increased from 6.5% in 1996 to 10% in 2002.

## ECONOMIC PROFILE OF THE MID-WEST

**Fig. 1.4 Residents born outside the State**



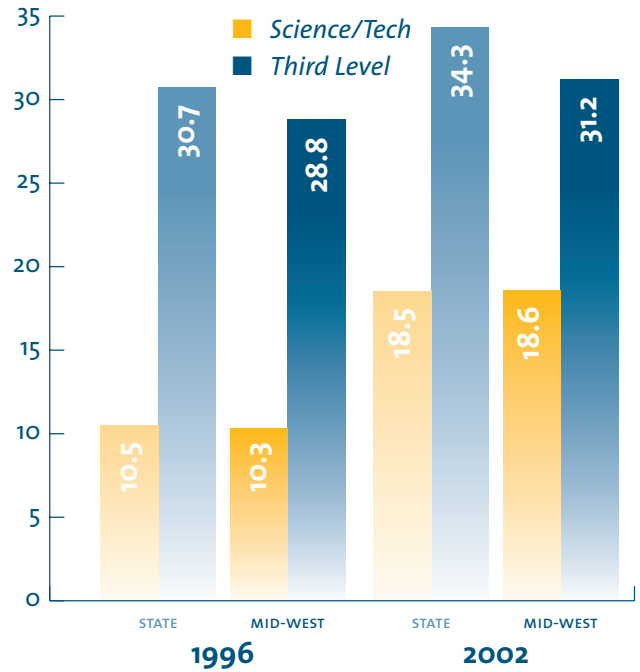
Source: CSO Census of Population

### 1.2 EDUCATION AND SKILLS

The Mid-West's investment in education has been one of the key contributors to the economic success of recent years. As figure 1.5 illustrates, the number of students attaining third-level qualifications, in scientific and technological subjects in particular, increased significantly between 1996 and 2002.

One of the challenges facing the region is to continue to expand this investment in education and to extend its reach to all groups in society. There should be a continuing emphasis on science, mathematics and technology subjects at second and third level. The skill levels of those in employment should also be reviewed and updated. The 2002 Census reveals that there are a substantial number of older workers who have had neither the benefit of completing second-level nor access to third-level education.

**Fig. 1.5 Educational attainment (% of labour force)**



Source: CSO Census of Population

### 1.3 ECONOMIC STRUCTURE

The extraordinary national economic growth in the second half of the last decade gave way to a much slower rate of expansion from 2001. Nevertheless, employment figures over the last five years have remained remarkably robust. One contributory factor is the significant growth in part-time employment, which has increased at a faster rate in the Mid-West over the last five years than in any other region in Ireland.

The demand for labour in the region decreased throughout 2002, leading to a rise in the unemployment rate to 4.7 % in 2003. The number of notified redundancies in 2003 increased by over 40% on the previous four years to reach 3,026. However, this figure should also be viewed in the national context, where notified redundancies doubled in the same period and, at 27,700 in 2003, were the highest in almost 20 years.

**Table 1.2** Changes in the labour force 1998-2003

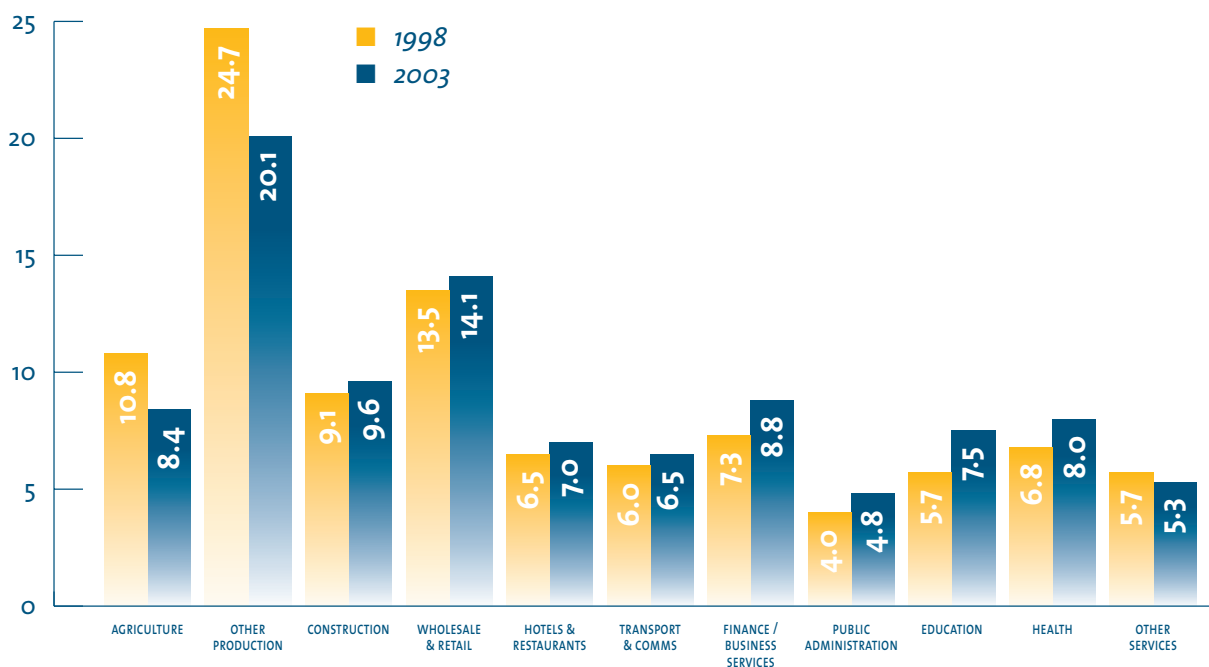
REGION	LABOUR FORCE	EMPLOYMENT	FULL-TIME	PART-TIME	UNEMPLOYED	UNEMPLOYMENT RATE 2003 (%)	PARTICIPATION RATE 2003 (%)
Mid-West	+16.7	+20.3	+17.4	+36.4	-26.8	4.7	59.6
Border	+12.6	+19.8	+20.8	+14.4	-40.0	6.3	55.8
Dublin	+9.7	+14.8	+13.7	+20.1	-45.5	4.2	62.7
Mid-East	+24.2	+30.1	+32.4	+18.4	-45.1	3.4	63.8
Midland	+17.4	+22.7	+21.5	+29.5	-35.4	5.0	58.5
South-East	+16.1	+21.7	+22.2	+19.4	-32.8	6.0	59.1
South-West	+10.5	+15.9	+17.1	+10.2	-44.5	4.5	57.1
West	+32.6	+37.3	+38.9	+30.0	-22.3	4.7	59.7
State	+14.3	+18.4	+18.0	+20.5	-32.7	4.7	60.1

Source: CSO Quarterly National Household Survey

Figures 1.6, 1.7 and 1.8 indicate some of the main changes in the Mid-West’s employment and occupation structure over the last five years.

- The decline in employment in agriculture continued to a point where it accounted for just 8.4% of total employment in the Mid-West in 2003.

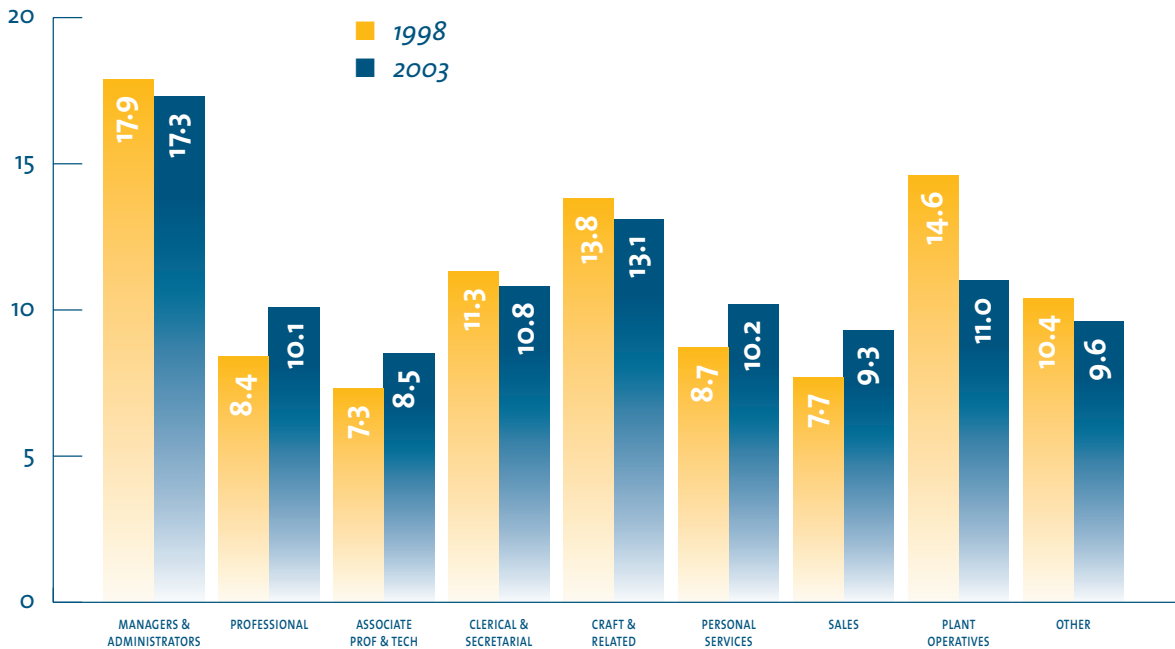
**Fig. 1.6** Mid-West Employment Structure (%)



Source: CSO Quarterly National Household Survey

## ECONOMIC PROFILE OF THE MID-WEST

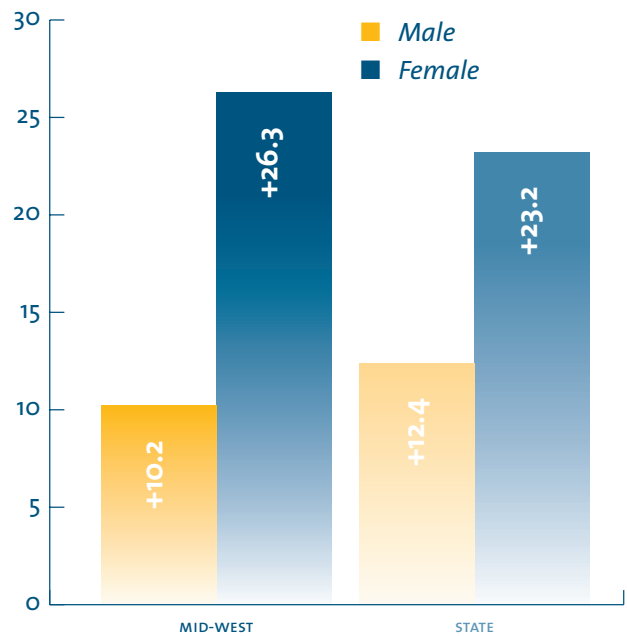
Fig. 1.7 Mid-West Occupation Structure (%)



Source: CSO Quarterly National Household Survey

- Manufacturing industry, the mainstay of employment in the region, also declined, although it still accounts for one in five jobs.
- Employment across a range of service sectors such as retail, hotels and restaurants, finance, business services and health increased.
- Management, administration, professional and technical jobs accounted for 35.9% of employment in 2003, compared with 33.6% five years earlier. The percentage of plant operative jobs declined from 14.6% to 11% over the same period.
- The most significant growth was in the number of females in employment, which increased by 26.3% over the five-year period, compared with just 10.2% for males.

Fig. 1.8 Employment Change by Gender 1998-2003 (%)



Source: CSO Quarterly National Household Survey

**Table 1.3 Agency-supported manufacturing and international services**

	STATE		MID-WEST	
	2002	1998-2002	2002	1998-2002
All Sectors	304,899	+9.6	29,609	-1.1
Manufacturing	228,390	-0.8	24,675	-7.3
– Food products beverages and tobacco	49,105	+8.8	3,351	+1.2
– Chemicals chemical products and man-made fibres	23,587	+16.8	1,738	+2.2
– Basic and fabricated metal products	17,619	-1.0	2,773	+0.2
– Machinery and equipment	12,302	+0.0	1,457	-35.5
– Electrical and optical equipment	55,265	-0.9	9,003	-8.1
– Transport equipment	11,109	+1.4	2,110	-0.4
– Other manufacturing	108,508	-4.2	7,594	-4.7
Financial Services	10,342	+111.1	621	+120.2
International Services	56,767	+62.7	2,843	+65.2
Other	9,400	+17.3	1,470	+10.7

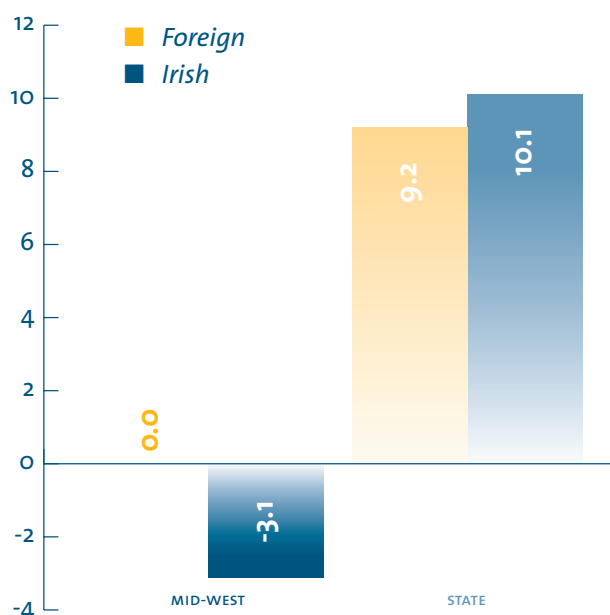
Source: Forfas

### 1.4 INDUSTRY

The Mid-West's industrial base has traditionally been supported by significant numbers of foreign-owned manufacturing plants, mainly in the engineering, electronic and chemical sectors. Their vulnerability to the low-cost emerging markets for FDI in South-East Asia and Eastern Europe is a continuing threat for companies in the Mid-West.

Table 1.3 illustrates that employment in agency-supported (i.e. IDA, Enterprise Ireland and Shannon Development) manufacturing declined by 7.3% between 1998 and 2002, compared with a fall of 0.8% in the State as a whole. The most significant decline was in the machinery and equipment sector, where employment fell by over 35% to 1,457. Employment in the important electrical equipment sector, which accounted for almost 10,000 jobs in the region five years ago, declined by 8.1%.

**Fig. 1.9 Agency supported employment (% change 1998-2003)**



Source: Forfas

## ECONOMIC PROFILE OF THE MID-WEST

As evidenced in figure 1.9, the region has fared badly in retaining agency-supported investment when compared with the national trend. Overall, employment fell by 1.1% between 1998 and 2002, compared with a 9.6% increase for the State as a whole. The most marked decline was in employment in foreign-owned firms, which fell by 3.1%, compared to employment in indigenous firms, which remained static.

### 1.5 SERVICES

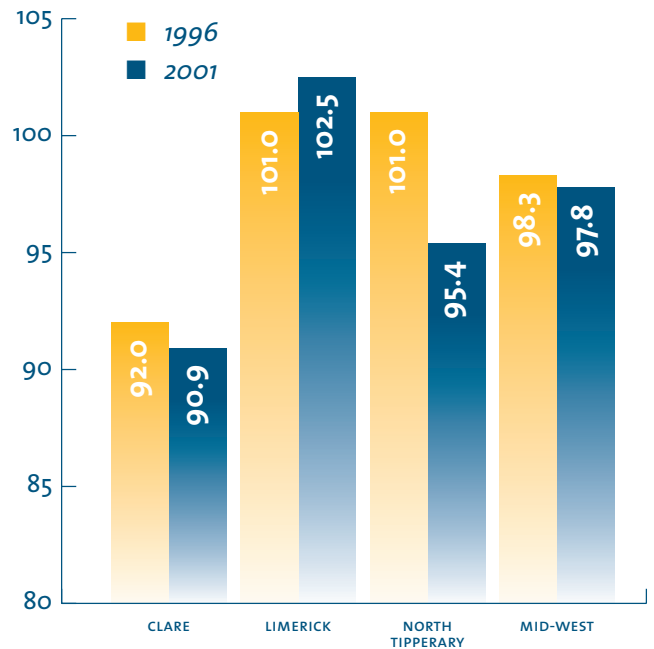
The market services sector will play a gradually increasing role in raising output and employment. According to the Economic and Social Research Institute (ESRI), in the medium term, less output and employment growth will come from the manufacturing sector. The building sector will not grow significantly, with some fall in output likely later in the decade.

In the Mid-West, the number of jobs in agency-supported financial services companies more than doubled between 1998 and 2002. Increased demand for healthcare and personal services, the impact of rising disposable income on retailing, and the continuing importance of education to the region are reflected in figures 1.6 and 1.7 (see pages 11 and 12). For example, between 1998 and 2003, sales jobs increased from 7.7% to 9.3% of total employment, while jobs in wholesale and retail business rose to 14.1% of the overall figure.

### 1.6 INCOME

Disposable income in the Mid-West region is the highest in the State outside Dublin and its surrounding counties, according to the CSO's County Incomes and Regional GDP data for 2001. However, there are significant variations within the region itself. The data suggests that income in Limerick is 2.5% above, while incomes in Clare and North Tipperary are almost 10% and 5% respectively below, the national average. While the position of Limerick relative to the national average improved slightly over the previous five years, the positions of Clare and North Tipperary slipped.

Fig. 1.10 Disposable income (State=100)



Source: CSO County Incomes and Regional GDP

The CSO data also attempts to measure the value of goods and services, gross value added (GVA), produced within the regions. The average output level per person in the Mid-West is significantly below (-15.5%) the national average. It has declined by almost 10 percentage points below its 1996 level. This decline could be attributed to the recent downturn in manufacturing and construction activity in the region.



# ECONOMIC INFRASTRUCTURE

This chapter sets out the findings from the postal questionnaire and focus groups on key issues of economic infrastructure. IBEC Mid-West undertook a survey of member companies in the region to garner feedback on the views of business on all aspects of competitiveness. Ninety companies provided information on their priorities in relation to infrastructure. Shannon Airport was the predominant issue identified by participating companies. Roads were also identified as a top priority by a high percentage of respondents.

The key infrastructure issues will be dealt with under the following headings:

- transport;
- telecommunications;
- environment and waste management;
- energy;
- balanced regional development.

## 2.1 TRANSPORT INFRASTRUCTURE

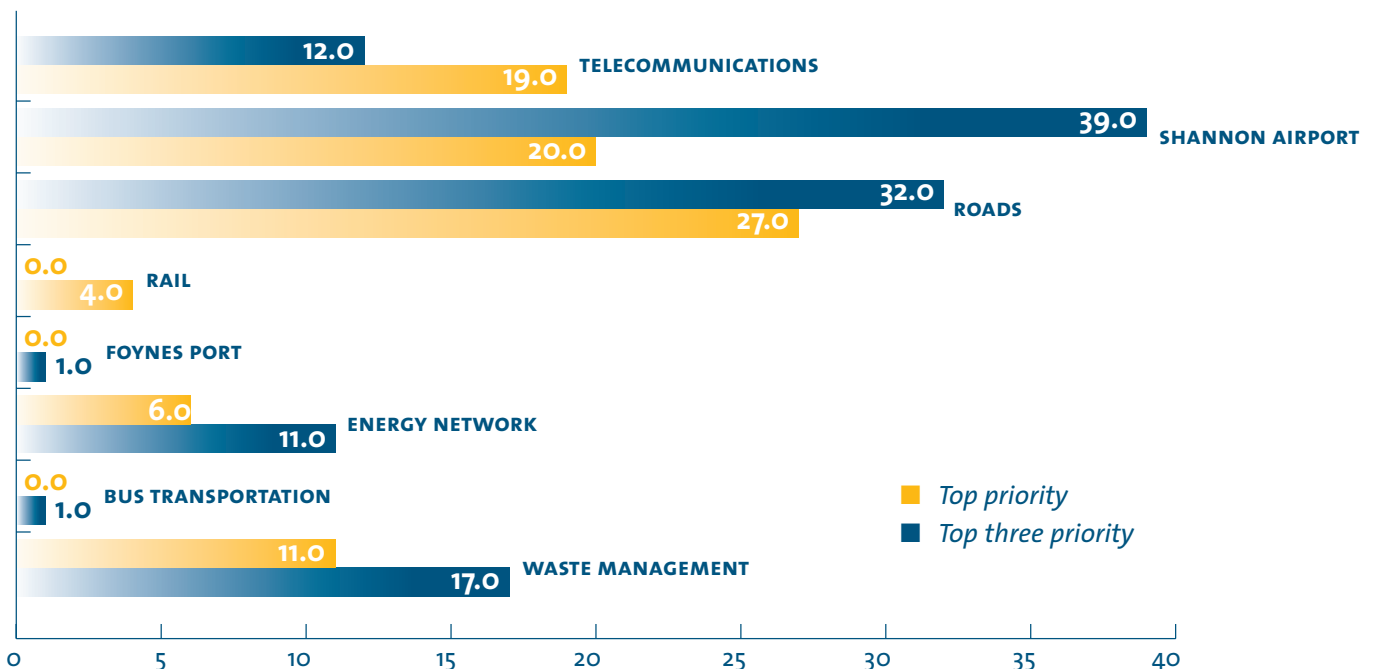
### 2.1.1 SHANNON AIRPORT

Shannon Airport is recognised as being the key economic driver for business in the region, and a critical component of economic policy in the Mid-West. It is the catalyst for balanced regional industrial and tourism development.

The Government has decided to establish Shannon, Cork and Dublin airports as fully independent and autonomous authorities under State ownership. The new Shannon Airport independent authority is to commence business free of debt but will not receive any Exchequer support. Companies in the region are supportive of the recent decision to make Shannon Airport independent.

Service development remains the key issue for the future of Shannon Airport. Personnel from companies in the region travel all over the world. The new Board must continue to focus on

Fig. 2.1 Infrastructure priorities



## ECONOMIC INFRASTRUCTURE

assisting airlines to develop new routes in order to increase the total number of passengers using the airport. Demand is for tourism through charter operators and also point-to-point scheduled services offered by low-cost carriers, allied to the development of a service to a hub in mainland Europe for business travellers.

Transatlantic traffic accounts for almost a third of Shannon Airport's passengers. The present Ireland/US Air Bilateral Agreement was negotiated over 50 years ago and was last amended in the early 1990s. Under the terms of the current agreement, Ireland operates a dual gateway policy for transatlantic flights with the two Irish gateways being Shannon Airport and Dublin Airport. This allows American airlines to operate flights from the US to Shannon and also to offer services on a one-for-one basis into Dublin. Aer Lingus can offer services to five airports in the US. There is strong support from business in the region for retention of the current Bilateral Agreement which is considered critical to the future of Shannon Airport.

The global airline industry was hugely affected as a result of the terrorist attacks on New York and Washington in September 2001. In October of that year, Shannon lost ninety-six weekly flights. Aer Lingus provided sixty-eight of these services. The cancellation of the dedicated early morning and late evening flights from Shannon to Dublin cut off the lifeline for business to connect to UK regional airports and European destinations on a same-day basis. The provision of over 40 return services between Cork and Dublin by Aer Arann each week gives Cork Airport a much better link to Dublin and consequently to UK regional airports and European destinations.

The importance of the airport to the region should be seen in the light of the access it provides to the surrounding area. Proximity to the customer is critical to the success of R&D and marketing. Ease of access is also critical for attracting FDI, as key decision-makers must be able to travel to the region. Senior-executive time is critical. Poor services into Shannon have adversely affected companies that intended to

expand in the region. At present, European flights cause the greatest problems.

Airline ticket prices are coming down. Aer Lingus prices have become very competitive, even if there is concern regarding the availability of special offers out of Shannon, which appear to be much more limited than from Dublin. Short-notice booking is also expensive.

Companies were very positive regarding the freight services available from Shannon Airport. The services provided by companies such as UPS and DHL are considered excellent. However, the lack of scheduled services means short-notice deliveries into Shannon can be a problem. By comparison, the performance of Dublin Airport on freight was not regarded as very good.

### RECOMMENDATIONS

- The development of a business strategy is a priority for the new Board of Shannon Airport. This plan should be developed to ensure that the airport's maximum capacity of four million passengers is attained by 2010.
- Marketing of the airport is critical to ensure an increased market share of Ireland's passenger traffic for Shannon Airport. Funds must be released to market the services available from the airport. A key advantage is that Shannon can offer 'a stress-free experience'. It was also suggested that the airport could offer a walk-on/walk-off facility, whereby passengers can purchase their tickets on the Internet and check-in by phone if they only have hand baggage, thereby saving time.
- The following are the main priorities in terms of service development for business:
  - Development of the Shannon to Dublin route with key services early in the morning from Shannon and a return flight at night with an integrated ticketing facility with the major carriers.

- Continued development of London services to Stansted and Heathrow.
- Development of an early-morning service to a hub in either the UK or preferably mainland Europe. The options are Manchester, Birmingham or Edinburgh in the UK, and Frankfurt, Paris, Brussels and Amsterdam.

■ Shannon Airport must be promoted as the gateway to the West of Ireland. If the Ireland-US Aviation Bilateral Agreement is renegotiated, it is imperative that the effect of this on the region is anticipated. Any change to this national policy must be introduced on a phased basis, following proper consultation with stakeholders in the region. Funding for marketing of Shannon Airport must also be made available by the Government to mitigate possible negative effects over the medium term of any changes to the Bilateral Agreement.

■ The Government must commit the necessary investment to deliver the Atlantic Arc Project, spearheaded by Shannon Development, which will create an agile logistics hub and develop Shannon Airport as a 21st century multi-modal hub for air commerce.

■ Funding must also be made available for a period of one to two years to support any carrier on the Dublin-Shannon route in order to expand the passenger base.

■ Low-cost carriers must be attracted to expand services to and from Shannon Airport. The improvement in charter services to holiday destinations must also be continued.

■ Shannon Airport must examine funding options such as passenger landing and exit charges, in line with best international practice.

## 2.1.2 ROADS

Of all EU countries, Ireland is by far the most dependent on road transport due to historical under-investment in the rail network. In 1994, roads accounted for 97% of passenger travel and 86% of freight travel within Ireland. The extraordinary growth of the Irish economy in the last decade is manifested by the unprecedented growth in traffic on our roads.

The questionnaire asked companies to identify the three priority routes for their business in the Mid-West and in Ireland generally.

*Table 2.1  
Priority routes*

ROUTE	TOP PRIORITY	SECOND PRIORITY	THIRD PRIORITY
Limerick – Dublin	27%	10%	9%
Limerick – Ennis	6%	2%	6%
Limerick – Galway	6%	2%	10%
Limerick – Cork	5%	17%	9%
Limerick – Shannon	12%	5%	6%
Dublin – Shannon	2%	5%	4%
Ennis – Shannon	1%	10%	–

The main routes emerging are outlined in table 2.1. Some 27% of respondents identified the Limerick-Dublin route as their priority, while 25% cited the N18 Limerick to Galway route as their principal concern.

Major investment is required in Ireland's road infrastructure. The network of inter-city roads has improved over the years, but the increasing volume of traffic has resulted in more bottlenecks. Congestion on roads not only adds cost in terms of overtime for drivers, but, more importantly, affects the ability to guarantee response and delivery times to customers.

The extent of Limerick's traffic congestion is disproportionate to its size. The consensus is that travel between cities is relatively easy up to arriving at the outskirts. This is because the current road

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network focuses on funnelling traffic through the city via the centre, thereby creating huge bottlenecks.

Increasing congestion has an impact on employees' travel time to work. Easy access to the city centre from the suburbs is considered vital to the retail sector in Limerick City. This sector has also been affected in that home deliveries are becoming more difficult and costly.

The number of road works in the region's urban centres is severely affecting congestion. A perception exists that roads can be opened by the various utility providers with limited effort to coordinate their work. This has negative implications for the local community and travelling public. The quality of road repair work can also leave a lot to be desired.

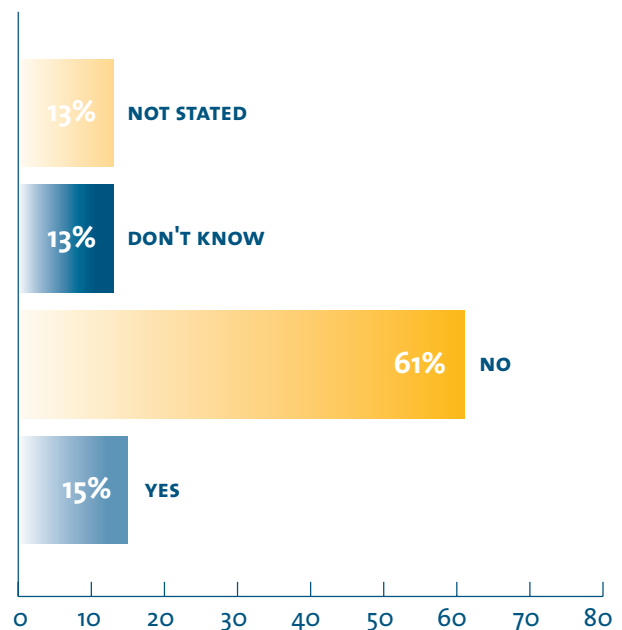
The business community in the Mid-West is of the view that over the last five years, limited real progress has been made in the region in creating an adequate road network despite the scale of the NDP Roads Programme. The following projects are the major completions since 1999:

- the Nenagh bypass;
- the Limerick to Adare motorway;
- the motorway from Castleisland to the outskirts of Tralee;
- the Newmarket-on-Fergus bypass;
- the road from Parkway roundabout to the Groody roundabout.

The fourth River Shannon crossing was announced as a public private partnership project (PPP) by the Minister for Finance, Charlie McCreevey, in early 2001, due to commence in late 2006 and to be completed within two years. Based on figures published in 2000, the crossing is projected to take 80% of 45,000 vehicles that daily use the other bridges across the River Shannon and the city-centre route.

Companies were asked to provide details of their support for road tolling in the Mid-West. The majority of respondents to the survey (61%) were not in favour of tolling.

**Fig. 2.2 Tolling of Mid-West roads**



Notwithstanding the above, in examining this issue further, a significant proportion of employers indicated that they would pay tolls if it generated value for their business. The majority of business people would support tolls on the fourth River Shannon crossing and other key arteries of the national road network provided that projects were fast-tracked and delivered high-quality roads. The key benefit promised by tolls is the saving of valuable company resources in terms of time spent by vehicles and employees on the road. Strong views were expressed that tolls are simply an additional cost on the general public, akin to an increase in taxes. The Government has made huge mistakes in road planning, which have proved costly in terms of resources. The Government will have to be able to show that tolls provide value for money.

## RECOMMENDATIONS

- Advance planning is now required to ensure that the region has sufficiently high-class infrastructure to meet its needs over the next 20 to 30 years.
- The following are the key priorities for investment:
  - Completion of the fourth river crossing by the end of 2008. A commencement date must be published immediately.
  - Development of a Limerick to Galway motorway by 2009, including timely completion of a bypass of Ennis, with a resultant reduction to 80 minutes of travel time between these centres. The journey from Oranmore to Shannon should not take longer than 45 minutes.
  - Delivery of a Limerick to Dublin motorway by 2009. At least 40km of motorway is required to facilitate access to Dublin Airport and also Dublin Port in order to increase the ability to transact business around the country.
  - Planning must commence now for a ring road for Limerick City.
  - Investment in key regional routes, including the N69 Limerick to Foynes.
- Serious investment needs to be allocated to improve signposting in the region. Ireland is one of the few developed countries that does not use road numbering as the primary method of identifying roads.
- To ensure value for money, it is recommended that all road project tenders be fixed-price and that larger projects be put out to tender. The remainder of the motorway project from Limerick to Galway should be completed on this basis.
- PPPs must be facilitated in the region.
- Road tolling should only be considered where deemed appropriate. Business acknowledges the need for tolls in line with the user-pays

principle, but projects have to provide value for money. Road users should not be forced to pay tolls because of a lack of alternative infrastructure.

- Tolls must be properly managed. This includes price controls in the future, while the use of electronic technology for toll collection should be seriously examined to make the experience easier for the traveller.
- Traffic management and promoting public transport options are key measures for the Mid-West region.
- The scheduling of road works in the region by utility providers requires greater management by local authorities.

### 2.1.3 PUBLIC TRANSPORT

Public transport, and the national railway network in particular, has suffered from decades of under-investment. However, with the availability of EU Cohesion and Structural Funds in the 1990s, and resources allocated under the NDP, this situation is being addressed. Rail investment has been concentrated on the Cork, Belfast, Limerick and Galway lines from Dublin, which are the most heavily used sections of track. Inter-urban bus services have improved dramatically, with competition from private operators on many routes adding to the availability and quality of services provided to the public. In relation to city bus services, the greatest improvement has resulted from the introduction of Quality Bus Corridors in Dublin City.

The key public transport link in the Mid-West region is the rail link from Dublin to Limerick. A strategic rail review recently undertaken by Booz Allen Hamilton<sup>2</sup> recommends a national rail capital investment programme of €8.5 billion over the next 20 years. Specific targets include:

- hourly high-speed services to Cork and Belfast; two-hourly services on other inter-urban routes

<sup>2</sup> Source: Booz Allen Hamilton, *Strategic Rail Review*, 2003.

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and more regular services, reliable timetables, improved and accurate information and a better level of comfort for the customer on all routes;

- savings on journey times on the main inter-urban routes by 2008, of up to 19 minutes on the Dublin to Limerick route.

Established in 2002, the Shannon Rail Link Partnership<sup>3</sup> is actively promoting the development of a rail link from Shannon to Limerick. Some 43% of respondents to the IBEC survey indicated that they would benefit from a rail link to Shannon Airport.

Respondents to IBEC's survey registered low levels of public transport usage. Employees used public transport to travel for work in just under 25% of respondent companies.

In terms of satisfaction with city bus services, table 2.2 sets out the details of responses.

**Table 2.2**  
*Satisfaction with city bus services*

LEVEL OF SATISFACTION	% OF COMPANIES
Very satisfied	--
Satisfied	12%
No opinion	63%
Dissatisfied	9%
Very dissatisfied	1%
Not stated	15%

Key areas requiring improvement include service development and scheduling, in addition to improvements in timekeeping and customer service.

The consensus amongst businesses that attended IBEC's focus groups was that where a good service is being provided, it will be used. Some larger

<sup>3</sup> The membership of the Shannon Rail Link Partnership includes Mid-West Regional Authority, Clare County Council, Shannon Development, Clare County Development Board, Limerick City Council, Limerick County Council, Aer Rianta, Shannon Chamber of Commerce, Bus Éireann, Iarnród Éireann and IBEC Mid-West.

companies subsidise the cost of using public transport and may have 10% of staff availing of this option. However, problems emerge with regard to frequency of service, particularly outside normal working hours.

## RECOMMENDATIONS

- The Mid-West region needs an integrated plan for public transport. This will require substantial investment, with initial priority given to bus transport in the major urban centres.
- The greater Limerick area is developing, and more frequent bus services must be introduced to serve a 20-mile radius of the city. The network area for Limerick City bus services should be extended to include surrounding areas from which people commute. This would mean that the area would extend into the commuter villages of Kildimo, Adare, Ballyneety, Castleconnell, Newport, Cratloe, Bunratty, Sixmilebridge, Tulla and Scariff. This should be done on a project-managed basis.
- The scheduling of buses serving Shannon Airport must be examined and improved by Bus Éireann. The branding of the service must also be improved to increase usage.
- The opening of bus corridors is a critical challenge for all urban centres in the region.
- Significant investment is required if the vision outlined in the Strategic Rail Review is to be realised. The rolling stock which runs from Limerick City to Limerick Junction needs to be replaced and updated to the standards of the Dublin-Cork line. Of immediate priority is the need to enhance the provision of high-speed direct services from the Mid-West region to the capital in order to facilitate same-day business commuters.
- The proposal that a second line be added to the existing track from Limerick Junction to



the city, thereby facilitating a significant increase in capacity and service provision, should be explored by the Department of Transport.

- A rail link serving Shannon and Limerick must be specifically included and budgeted for in the successor to the current NDP.
- The number of drop-off points will also be crucial to make it convenient to travel to the airport, Shannon town, residential areas and the industrial estate. The location of stops in Limerick City and suburbs is also considered critical.
- An independent evaluation of the Western Corridor project linking Cork to Sligo by rail must be undertaken as a matter of urgency by the Department of Transport.
- The LASER (Limerick and Shannon Express Rail) proposal, which seeks to upgrade and add to the existing rail infrastructure around Limerick City, must be pursued. Three lines are envisaged initially, from Colbert Station to Moyross, Castleconnell and Mungret via Raheen.
- A Limerick public transport investment strategy group should be established to examine: investment in high-frequency minibuses on routes in the city; assessment of bus priority measures; integrated ticketing; use of smaller buses at increased frequency; assessment of the suitability of park and ride facilities and the role of car pooling and taxis.

#### **2.1.4 SHANNON FOYNES PORT**

The Shannon Foynes Port Company was formed by the amalgamation of the former Shannon Estuary Ports Company and the Foynes Port Company, under the Harbours Act, 2000. The company is responsible for the 500 square kilometres of navigable water that runs from Loop Head (Co. Clare) to Kerry Head (Co. Kerry) and eastwards to Limerick City – a distance of 100km. The company is responsible for the pilotage

and safe passage of vessels, along with the efficient interface between maritime cargo movements and landside storage and distribution infrastructure.

### **RECOMMENDATIONS**

- The Government should support investment to upgrade and improve road and rail access to Foynes Port. Of particular concern is the lack of use of the freight rail infrastructure. Private operators must be mandated to operate services to business on the rail network.
- The Government must learn from the industrial relations experience of Shannon Foynes Port Company. The Port Company inherited massive labour overheads and restrictive practices when it was established. This has seriously restricted management's ability to introduce change and to fulfil its commercial mandate. The Government should not offer such assurances in any future reform of semi-State organisations.
- In line with the recommendations of the Government's High Level Review of the State Commercial Ports (published in 2003), the Department of Communications, Marine and Natural Resources must urgently reassess the funding of port facilities in Ireland. Given that over 98% of all of Ireland's international trade is sea-borne, a strong and efficient port infrastructure is critical to future economic growth.
- To compete on an equal footing with ports in other countries, the Government should exempt ports from commercial rates from local authorities. Shannon Foynes Port Company pays rates to Limerick County and City Councils, together with Kerry and Clare County Councils. These demands are often unrelated to normal usage criteria – for example the Company is burdened with a rates demand from Clare County Council in excess of €33,000, despite the fact that it does not own any land in Clare.

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**Table 2.3** Households with a home computer connected to the Internet

	JUNE 1998		JUNE 2003	
	MID-WEST	NATIONAL	MID-WEST	NATIONAL
Households with computers connected to Internet ('000)	3.8	61.1	38.2	458.7
As % of all households with home computers	23.4	26.7	81.9	79.6
As % of all households	3.6	5.0	33.0	33.6

Source: Quarterly National Household Survey, Information on Communications Technology (ICT) June 2003

### 2.2 TELECOMMUNICATIONS

In June 2003, just over 46% of all households in the Mid-West region had a home computer, compared to 16.2% in June 1998. Table 2.3 highlights that there was a tenfold increase in the number of households with a home computer connected to the Internet in the Mid-West in the five years from June 1998 to June 2003.

An estimated 458,700 households, or almost a third of all households in Ireland, had home computers with Internet access in June 2003. When other forms of access are included (eg, via mobile phone, television or hand-held computer) the percentage of households with access increased marginally to 35.6%.

The availability of broadband services in the Mid-West is critical to business competitiveness. Broadband enables companies to offer value-added services in many areas such as software development and product support. Broadband is a critical factor in attracting FDI as global communication gains added importance. Telecommunications are particularly important for new sectors such as data centres and database and web-hosting services, which build on the region's strength in call-centres and customer support. High-speed telecommunications are key to

facilitating e-commerce, which is a huge area of global business growth.

The Government has provided funding for Metropolitan Area Networks (MANs) for over 60 towns in two phases between 2002 and 2009. The MANs in Limerick and Cork were completed in 2003. The key advantage of these networks does not derive from extending the geographical availability of broadband, but rather from stimulating competition, as service providers other than those with physical infrastructure will be able to offer services to business and consumers in the future.

A recent Forfás<sup>4</sup> report found that Ireland remains significantly behind leading countries with respect to the provision of broadband, particularly to residential customers and SMEs. Forfás has highlighted several positive developments and announcements since the preparation of the statistics used in its report:

- Introduction of flat-rate Internet access in June 2003.
- Strong growth of DSL take-up<sup>5</sup> as operators have temporarily reduced entry-level prices and become more focused on marketing.
- Construction of the remaining Metropolitan Area Networks (MANs) is on schedule and they are expected to be operational this year. Selection of a Managed Services Entity (MSE) to operate these networks is at an advanced stage.
- The announcement by the Department of Communications, Marine and Natural Resources of a Broadband Action Plan, which will connect a

<sup>4</sup> *Broadband Telecommunications Benchmarking Study, January 2004, Forfás*

<sup>5</sup> *Digital Subscriber Line (xDSL) is a broadband technology which allows the provision of high-speed services over copper lines into businesses and homes*

further 88 towns of 1,500+ population to broadband with community broadband exchanges and strategic fibre.

- Eircom announced that it plans to make broadband available to every town in Ireland with a population greater than 1,500 by March 2005. The company also announced that it proposes to reduce its prices for basic broadband services. This should serve to improve price competitiveness in this area.
- Esat BT and ESB announced that they propose to cut their wholesale telecommunications tariffs which should substantially reduce the price differential that exists between Dublin and the regional towns that they serve.
- Smart Telecom has announced that it plans to invest up to €35 million over the next five years in creating a fibre-optic telecommunications network across the State.

While these developments will have a positive effect on future benchmarking reports, Forfás' assessment of Irish broadband coverage/availability, take-up by business and costs, indicates that Ireland is currently about three years behind the average country in the benchmark group (Austria, Finland and US) in terms of overall broadband take-up, and five years behind the best countries in the group (Korea, Canada and Denmark).

Telecommunications services are a key cost area for business. Effective communication with staff, customers, suppliers and other parties is a critical part of the competitive equation for companies. Businesses are also increasingly assessing the suitability of e-working for their employees.

Ireland has seen huge development in the telecommunications field in the last three to five years, stimulated by greater competition arising from liberalisation. There are significant numbers of operators and intermediaries with a presence in the Irish telecommunications service market. Landline charges have reduced by over 25%. However, it is still expensive to call mobiles from a landline. Another area of concern relates to the high cost of mobile roaming services – i.e. the high cost of using one's mobile to make and receive calls while in a

foreign country. The mobile market needs greater competition on price. Network coverage was judged to be very good. Of the newer technologies, GPRS has, thus far, worked well, although download can be expensive.

A 'digital divide' has been created in Ireland, with locations in Dublin, particularly around the M50, having access to high-speed telecommunications which are not available to companies located in other regions. Availability of broadband in the Mid-West is limited to a number of industrial and business parks, but outside these locations, high-speed telecommunications take the form of expensive leased lines.

Companies that have high-speed access in this region pay a much higher price for connectivity compared to companies located in Dublin. Furthermore, there are also significant delays experienced in the delivery and installation of leased line connections. Organising telecommunications links is expensive. SMEs in particular are receiving a poor service from providers.

## RECOMMENDATIONS

- Ireland needs a clearly defined and targeted strategy to develop world-class broadband communications networks and services. Given its remote location, its low population, and the distribution of that population, Ireland needs policies which will drive investment in telecommunications networks and the development of broadband services.
- Where investment is lacking in the market context, State measures and/or investment should be considered.
- The next key stage is unbundling the local loop. This involves increasing the speed of the connection available to residential consumers. New technologies such as digital subscriber line (DSL), satellite broadband and power line communications (PLC) must be fully exploited. Solutions must be found to

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bridge the gap, especially in Ireland's more isolated rural areas.

- Telecommunications operators must be supported in obtaining planning permission for transmission masts in key areas of the region.
- A strategic approach is required to ensure that the future communication needs of enterprise in the region are met. The Shannon Broadband initiative, led by Shannon Development and involving all of the region's local authorities, should be accelerated, both in relation to the development of physical infrastructure and broadband demand initiatives as proposed through the Shannon Connect project.

### 2.3 ENVIRONMENT AND WASTE MANAGEMENT

The Mid-West's record rate of economic development has resulted in population growth, urbanisation and agricultural intensification, and has given rise to increasing environmental pressures.

Net greenhouse gas emissions will increase over the next decade by 30% above 1990 levels in the absence of corrective measures. This is more than twice the increase permitted in relation to the Kyoto Agreement, which binds Ireland to limiting increases to 13% above 1990 levels from 2008 to 2012.

Unprecedented volumes of waste of various kinds are being produced in Ireland. The amount of domestic and industrial waste has doubled since the mid-1980s, and the surge in consumer spending points towards continuing growth in waste amounts. Litter is a major continuing problem, particularly in cities and towns and on beaches.

The Mid-West's green image is very important. The facilities in Ireland for waste management and efficient water management are inadequate for a modern economy. Business is making huge strides in improving its environmental management. Companies in the region work closely with the

Environmental Protection Agency (EPA). However, Ireland's overall record of waste management does not match that of business. While business has faced serious pressure for over 10 years to reduce, reuse and recycle waste, the domestic consumer is only now becoming aware that the country faces a waste crisis. The volume of waste generated by business has decreased over the last 10 years, but costs have increased due to the lack of facilities in the region to cater for waste. Waste costs for business have doubled in the last two years. Ongoing environmental legislation continues to burden companies. New packaging regulations took effect from 1 March 2003, while the Electrical Waste Directive will have major implications for business in the region. Respondents indicated that they also have great difficulty sourcing companies that will recycle particular materials, including certain plastics. Indeed, business has to export hazardous waste. This is not sustainable.

The issue of incinerators has been a subject of huge debate in Ireland for the last 20 years. Business in the Mid-West agrees that this region requires an incinerator. Ireland has to deal with its own waste output. The example of other European countries in this regard must be followed. Incineration is recognised as being a more environmentally friendly option than landfills, which can be the source of major problems.

Although the Regional Waste Management Plan made provision for an incinerator to be built by 2006, planning for this project has not yet commenced. Planning authorities will need to engage in widespread consultation on such projects and major objections can be anticipated.

### RECOMMENDATIONS

- The State requires a national waste management strategy to be developed by the end of 2005.
- Once operated to proper standards and guidelines, to be enforced by the EPA, business favours incineration as a critical

element in waste management plans. The region must play its role in dealing with Ireland's growing waste problem.

- Ireland requires a national hazardous waste incinerator in addition to a small number of regional incinerators to deal with waste currently going to landfill. It is important that the national hazardous waste incinerator be served by a rail link from the national rail network.
- Education on waste minimisation and litter management is required to stimulate a cultural change as is evidenced by the Race Against Waste campaign.
- A database of approved recycling agents in Ireland, which can be searched by county and product type, should be compiled and promoted to the business community. This could include a forum for business to share information on best practice.
- Recycling efforts in the region must be fully developed. Great progress is being made in this area. It is extremely important to build incinerators of correct capacity, learning from the German experience where incorrectly specified incinerators proved uneconomic. For example, if waste going to incineration is inexpensive, it will prove a disincentive for waste minimisation, reuse and recycling.
- Continued investment is required in recycling facilities. All waste management operators must offer recycling collection facilities for office and residential customers in urban areas. Proposals must be developed to incentivise and develop areas where waste management facilities are located.
- Investment is required to ensure that the region can cater for industry's water demands over the next 20 years, in terms of quality and availability.

## 2.4 ENERGY

Low-cost energy is a key element of competitiveness. Since the establishment of the Commission for Energy Regulation (CER) in 1999, there has been a fundamental transformation in the electricity and gas markets. It is envisaged that there will be full liberalisation of the electricity and gas markets in Ireland by 2005.

Over the coming years, natural gas will be brought to much of Ireland for the first time. A 318-kilometre transmission gas pipeline linking Dublin to Galway and on to Limerick was completed in 2002. This completes a national ring main connecting with the existing Dublin, Cork and Limerick network. In addition, construction of the pipeline to the West brings the ability to transport domestic supplies, particularly from the Corrib development off the Mayo coast.

In July 2002, Aughinish Alumina Limited, a major employer in the region, announced plans to develop a 140 MW combined heat and power (CHP) plant on its site. The project will generate electricity and steam for the Aughinish Alumina operation and also supply 100 MW of highly efficient power into the Irish electrical grid. The combined heat and power project will improve the future competitiveness of Aughinish Alumina, an ideal location for the installation of a CHP facility, as the plant has a major requirement for steam and is among the largest industrial users of electricity in the country, consuming about 40 MW per annum.

Energy costs in Ireland are not competitive internationally across the full range of fuel and energy sources, and are continuing to rise. Companies are investing in generators due to concerns regarding continuity of supply and investing in technology to reduce energy consumption. Gas prices are increasing also to pay for infrastructure, particularly for large businesses. There are serious question marks over effectiveness of competition in the present regulatory framework. Gas transportation charges have risen by approximately 60% over a 1999 baseline, primarily to cover the cost of infrastructure provision. Transportation charges generally constitute 25%-40% of the delivered price of gas in Ireland.

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While the majority of companies in the region have no problems with electricity supply, some of the larger companies with massive manufacturing output have grave concerns in this area. Even a short interruption of 30 minutes can have huge cost implications in terms of lost production.

### RECOMMENDATIONS

- An integrated energy and environment policy should be developed for Ireland. The case of Aughinish Alumina Limited demonstrates that energy and environment are inextricably linked. CHP plants should be promoted by the Government as a means of generating energy supply.
- It is critical that the Government plans to ensure sufficient capacity for the long-term electricity requirements of the country. Significant investment is required in Ireland's National Grid in order to prevent supply interruptions and blackouts.
- Business supports sustainable energy from sources such as wind. While progress is being made, greater investment by the private sector should be facilitated.
- Any proposals to introduce carbon taxes should be balanced by the need to retain the competitiveness of industry. Business supports the development of an emissions framework based on negotiated agreements, whereby environmental improvement targets are set for individual companies.

## 2.5 BALANCED REGIONAL DEVELOPMENT

The National Spatial Strategy (NSS) was launched in November 2001, almost two years after the publication of the NDP. The NSS is a national planning framework for Ireland for the next 20 years. Key to the strategy is the concept of balanced regional development.

IBEC Mid-West fully supports and engages with Project 2020, spearheaded by Shannon Development, and in consultation with the Mid-West Regional Authority. These bodies are tasked with preparing regional planning guidelines and the economic strategy for the Mid-West region. For instance, there is huge potential in Limerick to invest in the railway lines navigating the city as a framework for planning future housing development.

Some 36% of respondents to the IBEC survey felt that they had benefited from the NDP.

*Table 2.4  
Benefited from NDP 2000-2006*

BENEFITED FROM CURRENT NDP	% OF COMPANIES
Yes	36
No	39
Don't know	21
Not stated	4

The NDP is struggling to deliver projects of critical importance either on schedule or within budget. Serious questions must be asked regarding the value for money being delivered by the NDP. A key finding is that while commentators, including politicians, are well versed in the terminology of the NSS, few people can tangibly state what difference the strategy will make to an area or location over the next 20 years.



## RECOMMENDATIONS

- National policy must commit the necessary support in a number of areas to create an economic corridor along the western seaboard as an effective counterbalance to the Dublin-Belfast corridor, to the benefit of the entire country.
- In all areas of national transport policy there should be positive discrimination towards the West of Ireland in the interest of delivering balanced regional development.
- A key concept that must be enshrined in government policy is the advance provision of infrastructure into the regional gateways and development hubs. A percentage of Ireland's total infrastructure budget must be ring-fenced for projects directly related to this region.
- Measures to support enterprise and employment generation are crucial to economic development. Supports from State agencies in areas such as strategic planning must be appropriately focused and be accessible and promoted to business in the regions.
- Business, particularly in the indigenous sector, needs assistance to invest in technologies, processes and new products and services, which will make them more competitive in the future. Business holds the view that third-level institutions now need to be much more proactive and open to companies in terms of applied research.
- Supports available to attract FDI must also be effectively targeted by the IDA to attract new investment into the Mid-West region.
- A critical issue will be management of the government decentralisation process. The relocation of even a small section of a small department will have a hugely positive impact on any small or medium-sized town.

# BUSINESS SUPPORT AND DEVELOPMENT

This chapter assesses the feedback of companies on the various supports available from the development agencies and third-level educational institutions.

## 3.1 ROLE OF ENTERPRISE DEVELOPMENT AGENCIES

The assistance available to companies in the form of business advice, support and development from the State is critical. The managing authority for the Productive Sector Operational Programme (PSOP) is the Department of Enterprise, Trade & Employment. Enterprise Ireland, Shannon Development and the IDA are the enterprise development agencies for the Mid-West region. Measures in the PSOP to assess company development needs focus on:

- strategy assessment;
- marketing;
- research and development;
- human resource development;
- production and operations;

- finance;
- regional networks.

Table 3.1 details satisfaction ratings with various agencies operating in the Mid-West. High levels of satisfaction were recorded for the University of Limerick, with four out of five companies indicating that they were satisfied or very satisfied. Shannon Development also recorded high levels of satisfaction.

However, concerns were raised with certain aspects of Shannon Development’s impact on business in the region.

- Business has limited time and resources to initiate contact with Shannon Development, and there is a feeling that the agency should be more responsive and proactive in the region.
- Shannon Development charges high rents on its property to business. This is seen as a disincentive to investors in the region.

*Table 3.1 Satisfaction with institutions/agencies*

INSTITUTION/AGENCY	VERY SATISFIED	SATISFIED	NO OPINION	DISSATISFIED	VERY DISSATISFIED
Tipperary Institute	3%	12%	81%	3%	1%
Limerick Institute of Technology	13%	47%	39%	1%	–
University of Limerick	39%	43%	15%	3%	–%
Aer Rianta	–	32%	20%	36%	12%
Shannon Development	8%	56%	15%	17%	4%
Tourism Ireland	1%	16%	60%	19%	4%
FÁS	7%	44%	34%	14%	1%
Local authority	3%	38%	23%	27%	9%

- Due to cost pressures, Shannon Development is not in a position to invest in upgrading buildings to the satisfaction of business. Shannon Industrial Estate compares very poorly with other new industrial developments around the country.
- While the IDA is generally viewed positively, business has questioned the Government's commitment to the region, noting the lack of a significant Greenfield FDI in the Mid-West over the last five years.
- The quality of regional tourist publications prepared by Shannon Development was also praised, but Fáilte Ireland was seen to have a Dublin bias in terms of its promotional activities, to the detriment of the rest of the country.
- Shannon Development was commended for its work in collating the information and discussion document on the future of Shannon Airport, which resulted in the Minister's recent decision to create an independent Shannon Airport. This development is crucial in giving the region a greater degree of autonomy in determining its own future.

## RECOMMENDATIONS

- It is of national strategic importance that Ireland maintains a base of indigenous engineering companies. The enterprise development State agencies need to improve their track record in helping engineering companies in the region.
- Communication with companies on supports and incentives in areas such as R&D, training and development and marketing must be improved. The National Competitiveness Fund<sup>6</sup> must be fully promoted to business. The stringent funding rules must also be relaxed and funding ceilings increased. The maximum grant for strategic consultancy and marketing under the classification 'Exploring New Opportunities', currently at €65,000, is considered inadequate, especially for medium-sized companies.

- There is a need to accelerate the current capital investment programme in relation to the renewal of the Shannon Free Zone, and particularly to deal with the stock of older properties as companies have migrated to the newer East Park areas.
- The IDA has responsibility for the attraction of FDI to the region, while Shannon Development has promotional responsibility for the Shannon Free Zone. There is a need to examine the arrangements in relation to FDI promotion in the region to ensure greater clarity in agency responsibility and a more streamlined process. The IDA and Shannon Development need to increase their efforts to obtain a larger share of new FDI for the Mid-West as a whole.

## 3.2 LINKS WITH EDUCATIONAL INSTITUTIONS

The third-level sector in Ireland has developed significantly in recent decades. Business is extremely supportive of the role and track record of all the third-level institutions in the Mid-West in preparing graduates for participation in Ireland's workforce. This role is supplemented by the provision of part-time and evening training courses, which can play a key role for companies in ongoing training of staff. Customised training is provided on a limited basis on-site for companies in the region by the third-level sector. Larger companies often avail of this service.

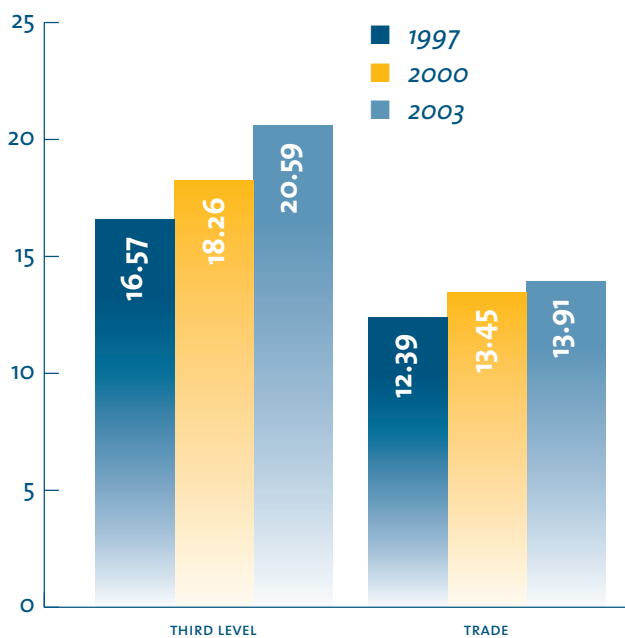
Ninety-six companies provided details of expenditure on training as a percentage of payroll. The average percentage of payroll spent on training was 2.42%. Fifty companies provided details of the percentage of employees with third-level qualifications and recognised trade qualifications in 1997, 2000 and 2003 (see figure 3.1). Some 20% of employees have a third-level qualification and almost 14% have a recognised trade qualification.

<sup>6</sup> This is a €10 million fund for SMEs. Details of the revised incentives for indigenous industry in the Shannon region can be viewed at [www.shannonindustry.ie](http://www.shannonindustry.ie)

## BUSINESS SUPPORT AND DEVELOPMENT

Some 59% of respondents indicated that they had responsibility for sales and marketing. A further 3% stated that they expected to get involved in this area in the next three years. The majority of companies responding to the survey – 78% – are involved in customer care. A further 2% expect to become involved in customer service over the next three years.

**Fig. 3.1 Skills profile of companies (% of employees)**



The Co-operative Education programme is the principal link between business and the University of Limerick (UL). Companies devote significant resources to in-house company training. The majority of training is company- and process-specific and is often conducted by equipment providers. The region has a broad range of high-quality training companies. FÁS and CERT are also involved.

A shortfall in the delivery of management development training in the region was identified. The now-defunct Regional Management Centre was a useful resource. At present, companies have to engage independent consultants to deliver management training or attend Irish Management Institute (IMI) courses, which are expensive and incur the added expense of travel to, and accommodation in, Dublin. Distance learning is an important resource for companies, particularly for management training, while e-learning is also developing.

## RECOMMENDATIONS

- Information provided to the business community on courses, services and assistance available from third-level institutions must be improved.
- Formal links must be established between IBEC Mid-West and the industrial liaison personnel in the third-level institutions.
- Ireland's educational system needs to further improve the foreign-language capability of the labour force.
- Resources must be invested by the third-level sector in assessing the needs of companies to develop a broader range of generic training courses. Specific recommendations for courses to meet the needs of business are as follows:
  - Limerick Institute of Technology (LIT) should offer an electrical apprentice night course.
  - It is proving difficult to recruit staff with electrical rewind skills.
  - More customised courses are required for fitters in the area of hydraulics.
  - The process of machine maintenance and service is evolving with greater use of diagnostic machines and laptops.
  - The third-level sector must incorporate nano-technology into relevant courses, as this is a growing area of interest for electronics companies.
  - There is a shortage of quality control technicians and chemical engineers in the pharmaceutical/chemical sector in Ireland.
  - Skills shortages in the field of intellectual property, particularly in the legal area, need to be rectified.
- FÁS should provide additional courses for apprentices in areas such as hydraulics. FÁS needs to reinvigorate its provision of hands-on training and become more responsive to business requirements.

### 3.3 COST COMPETITIVENESS

The competitiveness of business in the Mid-West region is diminishing as a direct result of escalating costs in many areas. This adds to the pressure of benchmarking comparisons with sister companies in multinational groups and seriously undermines the ability to attract ongoing investment, which is critical to survival. In competitive sectors, costs simply cannot be passed on to customers.

Information on non-pay costs was collected in both the IBEC Mid-West survey (2003) and in the IBEC National Survey on Business Costs (2003). Some 96% of Mid-West companies provided information on their priorities in relation to this issue.

The cumulative inflation rate for the period investigated was 8.5%.

The feedback from respondents points to the fact that Ireland is now a high-cost location for business:

- Insurance is a major issue. Due to rapidly rising premia, many businesses are concerned about the impact that making a claim can have on their ability to obtain insurance cover in the future. Companies are adopting self-insurance policies or increasing the excess, which means that they are paying more with less risk covered.
- The hotel sector employs a significant number of foreign nationals, many for short periods of one to two years. The cost of work permits,

**Table 3.2** *Increases in non-pay costs*

NON-PAY COSTS		INCREASE (%) 2000-2001	INCREASE (%) 2001-2002	CUMULATIVE (%) 2000-2002
Insurance	Mid-West	43.6	39.4	100.2
	National	51.8	33.3	102.3
Professional services	Mid-West	26.4	15.8	46.4
	National	19.6	14.7	37.2
Waste	Mid-West	25.8	10.3	38.8
	National	24.2	18.6	47.3
Local authority rates	Mid-West	13.6	15.6	31.3
	National	13.1	12.8	27.6
Energy	Mid-West	14.2	11.7	27.6
	National	12.0	10.6	23.9
Transport	Mid-West	13.1	8.6	22.8
	National	14.0	8.0	23.1
Rents	Mid-West	9.3	9.4	19.6
	National	26.5	14.8	45.2
Telecommunications	Mid-West	7.1	6.4	14.0
	National	9.0	6.8	16.4
Financial services	Mid-West	7.3	4.5	12.1
	National	16.3	8.2	25.8
<b>TOTAL NON-PAY COSTS</b>	<b>Mid-west</b>	<b>15.7</b>	<b>13.5</b>	<b>31.3</b>
	<b>National</b>	<b>15.7</b>	<b>11.5</b>	<b>29.0</b>

## BUSINESS SUPPORT AND DEVELOPMENT

which increased to €500 per annum in 2003, is a significant expense which is additional to all the conditions which must be met before a foreign national from outside the European Economic Area (EEA) can be employed to fill a vacancy.

- Labour is a key component of cost in the majority of businesses in the region. Labour costs in Ireland are generally higher than those of our competitors. Concerns exist in a number of areas. Fluctuations between the US dollar and the Euro are another factor that can adversely affect competitiveness. Furthermore, respondents were of the view that the Government, through various measures such as changes regarding the taxation of benefit in kind or increasing social legislation, is increasing the cost of labour here.
- Finally, companies raised serious concerns regarding the value for money provided by local authorities with regard to rates.

### RECOMMENDATIONS

- The level of inflation in Ireland must be micro-managed by the Government. IBEC's economic unit can assist by monitoring key business input cost indicators.
- Companies should be able to purchase insurance from European providers to facilitate cost reductions. Currently, companies can only get employer liability insurance from Irish-based insurers. The Irish insurance market must be opened to UK insurance providers.
- Private sector guidelines and objectives should be applied to the public sector in order to reduce government spending.
- Price reductions should be factored in as objectives for semi-State agencies, as is common practice in the private sector.
- Pay increases to be made under the benchmarking process to public sector employees must only be paid for through real productivity improvement.

- Retention of the current corporation tax rate of 12.5% is critical.

### 3.4 GOVERNMENT SUPPORT FOR BUSINESS

An open-ended question was asked of all focus-group participants seeking comments on government support for business. Business deems the retention of the low corporation tax rate for Ireland as essential. However, this low rate of tax will not continue to compensate for Ireland's escalating cost base. The Government is asked to provide a competitive environment for business so that managers can run their businesses as efficiently as possible. The Government is increasingly making decisions which are harmful for business, particularly in their eagerness to adopt social and environmental legislation which damages competitiveness.

#### Regional planning

In relation to economic development, Ireland has two levels of government: national and local. Executive powers thus, do not exist at regional level. In other EU countries, specific regional structures have formal executive powers as well as regional taxation arrangements. This gives a sense of regional unity in those countries that is lacking in Ireland.

The Planning and Development Act, 2000 tasks the Mid-West Regional Authority (MWRA) with the development of regional planning guidelines. These guidelines, incorporating a regional economic strategy, will be important in delivering the NSS in this region. The objective of the regional planning guidelines is to provide a long-term strategic planning framework for the development of the region over the next 20 years with which the county and city development plans and local area plans will have to conform. Shannon Development is in the process of preparing the Regional Economic Strategy in

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7 For further information on the Mid-West Regional Authority see [www.mwra.ie](http://www.mwra.ie)



cooperation with the MWRA and the Regional Planning Guidelines Steering Committee.

The following observations were made by respondents on regional planning:

- Business is concerned that there is no effective authority responsible for driving the development of the region. The consensus was that there was no regional framework being followed.
- There is a lack of dynamic leadership in the Mid-West, and concern was expressed that there is limited political will and cooperation between local organisations.
- The Land Use and Transportation Study (LUTS) in Cork was cited as the most impressive example of planning in Ireland. There is no such all-embracing plan for the Mid-West region and any plans that have been developed have not been properly communicated to the community.
- There also seems to be an issue with the timing of developments with public infrastructure constantly lagging behind private investment.
- The Government appears insensitive to the effect on business of decisions taken at national, but more particularly at local authority level. There are few political representatives acting as advocates for business. This is reflected in the lack of integration between national strategies and local authorities in the planning process.
- Three local authorities have jurisdiction within a three-mile radius of Limerick City. This means that there are three officers, one in Limerick City Council, Limerick County Council and Clare County Council, with responsibility for roads. This is an issue requiring political action. The artificial boundary between city and county is hindering the development of coherent strategies for Limerick.
- The fourth River Shannon crossing is the key project for the region. However, there is no definite timeframe for this project, with concerns over funding availability highlighting weak project management skills.

- The Mid-West appears to be a low priority region for the Government as evidenced by its lack of senior political representation and the absence of progress to date in implementing the NSS. After the long consultation process and effort undertaken to develop the strategy, it is of great concern that it has not been embraced.

## RECOMMENDATIONS

- The Government needs to ensure a more transparent implementation of the NDP. A critical factor is better communication with business. All interested parties, including IBEC Mid-West, must ensure that the Government implements the Plan and adheres to the schedules outlined.
- There is a need to bring business, local politicians, TDs and the education bodies together to examine the development of the region. Infrastructure development was identified as the most tangible aspect of such a regional framework but the key measure was how effectively the region was marketed as a location for investment and also as a tourist destination.
- The business sector has a major role to play in future development of a strategy for the region which needs to build a reputation for leading-edge R&D in a number of sectors.

## Quality of life factors

The general consensus is that quality of life is an intangible factor which means different things to different people and groups. The key issues for business in the region are cost competitiveness, infrastructure and labour availability. A good quality of life is extremely important within the context of attracting labour. This is heavily influenced by factors including access to housing, education, and retail and leisure facilities located within reasonable distance so that people will settle in an area. Employees are very

interested in striking a balance between working and family life. Shorter commuting times help to achieve such a balance. The availability of alternative employment in other companies in an area also helps to lessen the risk for potential employees who are considering relocation from either Dublin or the UK. The Mid-West is not particularly strong in this regard, particularly for more senior management positions.

Rising property prices are also a factor. Some companies noted that the regional labour force has benefited from people relocating from the Dublin area where house prices are higher. However, the relatively high prices in Ireland do affect companies seeking to attract potential employees from the UK and mainland Europe.

The region's sporting and education facilities are major contributors to quality of life in the region. The third-level education sector attracts people from all over Ireland to study and live in the Mid-West. The local community and various student camps also use the facilities during the summer months. The availability of courses at UL and LIT for staff and career development is extremely important in assisting companies in staff retention.

Some companies, however, deemed quality of life to be declining in this region. Traffic congestion can become a heavy burden on employees, especially when the hours of work are inflexible. This is regarded as a disincentive to taking up employment in the area, particularly when increasing childcare costs are taken into account. Other problem areas include access to health services, second-level education in Limerick City and also sporting facilities. Finally, it was acknowledged that although the city suburbs are developing, there is still a shortage of amenities.

### RECOMMENDATIONS

- **Quality of life is an important factor in promoting the region as an attractive location for FDI. A full assessment of the quality of life factors in the region should be undertaken with a view to promoting the Mid-West as a good place to visit, and in which to live and work.**

### 3.5 MOVING UP THE VALUE CHAIN

Within the context of developing business and moving up the value chain, the Productive Sector Operational Programme of the NDP holds that:

*'...while indigenous industry improved its performance in the 1990s, the sector still faces a number of growth and competitiveness issues which need to be addressed'*. The strategy underpinning NDP investment in indigenous industry will be aimed at addressing the following constraints on sustainable growth:

- insufficient investment in research, technical development and innovation (RTDI);
- insufficient spending on human resources;
- proliferation of small-scale operations;
- low productivity by international standards;
- low profitability by international standards;
- limited export growth outside the UK market;
- continued reliance on many traditional products.

The Lisbon Strategy sets a target expenditure on R&D of 3% of GDP for the EU, a significant increase from the current level of 1.5%. The most up-to-date figures from Forfás/OECD Science and Technology Indicators show that business R&D expenditure as a percentage of GDP in Ireland is 0.8%.

Almost one third (30%) of respondents to the survey indicated that their company conducted R&D. A further three companies (3%) stated that they intended to get involved in R&D over the next three years. Of the companies that indicated that they carried out R&D, the average expended as a percentage of turnover by these companies was 5.2%. Some 45% of companies indicated no R&D expenditure.

There are numerous examples of companies in the region moving up the value chain. Software development companies have done so through the provision of high-level software and full solutions. Pharmaceutical companies are spending significant amounts on new product development.

There is extensive collaboration between a small number of companies in certain sectors and third-level educational institutions on R&D projects. The educational sector should be far more proactive in collaborating with business.

Third-level institutions have benefited from significant government funding to invest in R&D, particularly through Science Foundation Ireland (SFI). However, their R&D focus is more on research than on development. Business interest in R&D across all sectors is in two key areas: product development and process improvement and optimisation.

SFI will have a very positive impact in promoting R&D, but question marks remain as to the real benefit in terms of new products for companies and spin-off for the region. Ireland must enhance its skills base and capability to develop intellectual property. A mechanism needs to be developed at national level to exploit the knowledge gained from SFI funding. The reality is that academics are assessed and rewarded on the basis of publishing papers, and not for assistance provided to companies.

Ireland is not seen as an attractive base for R&D by multinational companies in the engineering sector. This is because most multinational companies have centralised R&D in other locations to contain costs. The future of engineering is perceived as being based in the Far East rather than in Western Europe. Companies in general face a dilemma in relation to attracting R&D investment to Irish facilities in that the low corporation tax rate means that a greater proportion of R&D can be written off in other locations. The Government introduced tax credits in the 2004 Budget, but the benefit of this development remains to be seen.

Obtaining approval to produce and sell new healthcare and pharmaceutical products from the Food and Drug Administration (FDA) in the United States can be difficult. An opportunity exists for Irish subsidiaries of US companies to develop and manufacture products for the European market, where the approval mechanisms for certain healthcare and pharmaceutical products may be less stringent.

The securing of the Wyeth Biotechnology facility in Dublin is a major coup for the country. However, a

key challenge is to change the perception that Ireland does not possess the key biotechnology skills required, particularly at the leading edge of research.

## RECOMMENDATIONS

- Government incentives to institute R&D programmes in Irish engineering companies are essential if design and development are to be embedded.
- The bureaucracy associated with State assistance and R&D must be streamlined.
- Third-level institutions must place greater focus on assisting companies in the commercialisation of new products and also in the area of process optimisation.
- Third-level institutions must also improve their R&D project management skills and accelerate project delivery timeframes.
- The approach of third-level institutions to concerns of companies in the area of development and retention of intellectual property must be improved.
- Ireland needs a strategy to manage the transition from chemical to bio-tech manufacturing of pharmaceutical products. Within the region, the University of Limerick must play a key role in designing and providing relevant courses customised to this sector's requirements.

# SECTORAL ISSUES

## 4.1 SMALL BUSINESS SECTOR

Small business in Ireland has developed rapidly in the last decade, becoming heavily involved in all sectors and industries. Growth in services in Ireland has been mirrored by the growth and development of small business. Small enterprises employ more than half of the Irish labour force with over 600,000 people employed in the private sector. Over 178,000 enterprises form the backbone of employment, accounting for more than 50% of investment and 60% of GDP within the economy.

Family-owned and owner-managed small businesses generally do not have significant purchasing power to control external costs. Due to their size, managers of small business have multiple responsibilities. While this allows a broad overview of the business, particularly for owner-managers, it also means that the business may not be as efficient or strategic as larger organisations in many critical respects. In addition to their natural tendency to follow risk-averse strategies, this has resulted in many smaller companies not achieving their true potential.

The sector identified the value of networking among companies in the region but acknowledged the weakness of indigenous business in particular, in availing of networking opportunities, given the pressure created by multiple responsibilities.

Easy access to customers all around Ireland is of key strategic importance. Easing traffic congestion and improving the transport network are vitally important in this respect.

### RECOMMENDATIONS

- SMEs require specialised assistance and supports to build their capability, particularly in terms of strategic planning.

- A key area identified by this group was the development of short intensive management training courses, as currently provided by the Irish Management Institute nationally, to be provided on a regional basis, perhaps in conjunction with local third-level institutions.
- The priority issue for small business is the need to accelerate investment in road infrastructure to link the region to Dublin and the rest of Ireland.

## 4.2 TOURISM SECTOR – HOTELS AND ACCOMMODATION

Following a boom in the late 1990s, the tourism sector in Ireland experienced a major downturn in business due mainly to external factors in 2001. The Mid-West has also been severely affected by loss of services in Shannon Airport that has also resulted in fewer visitors to the region. Ninety per cent of visitors access Ireland via the east coast, and only a small percentage of this traffic feeds into the regions. The big growth area for tourism in Ireland is in the form of UK visitors taking advantage of the strong currency to avail of weekend and short breaks to Ireland, mainly in Dublin. Direct access is critical for tourism in the entire West of Ireland. The loss of the Shannon-Belfast connection has had a negative impact on the region, with many hotels having invested time and resources in building this market, particularly the golfing sector.

Hotels in the Mid-West have responded by focusing on the domestic market, which has been the key growth area for tourism in Ireland over the last five years. To compete, hotels could no longer charge premium prices, as packages had to be offered to attract Irish people to holiday at home. The hotels sector group identified low average rates for rooms

in this region as a key issue which increases focus on cost control. This restricts the ability to make further investment in facilities.

The downturn in corporate activity in the region has affected the hotel and tourism sector. Reduced corporate travel budgets and visits to companies by suppliers, customers and management have reduced demand for overnight business accommodation in the region. The golfing sector highlighted that the scale of corporate golf and social club outings has reduced significantly over the last 18 months as companies are forced to control such costs. The tourism sector would therefore very much welcome increased FDI.

While the hotel sector has expressed satisfaction with the level of amenities in the area, concern has been expressed that Tourism Ireland is focusing too much on promoting grade 'A' golf courses.

Of greater importance is that Limerick City is viewed as a corporate rather than a leisure destination. The perception gained from visitors is that Limerick is a good destination for a one- or two- night stay, whereas other locations such as Galway and Kerry seem to retain visitors for longer periods.

## RECOMMENDATIONS

- The key issue for tourism is branding and promotion of the Mid-West. Significant investment is now required to fund a marketing initiative to create a brand for the region. The identity of the Mid-West could build on the sporting tradition of the region and its location as the gateway to the West of Ireland. The establishment of the Limerick Co-ordination Office and Limerick Conference Bureau, as public-private initiatives will be hugely beneficial in the future. The development and implementation of the Limerick Riverside City initiative is seen as critical for Limerick City and its wider hinterland.
- The project to provide Limerick with a pedestrianised city centre has been identified

as critical over the next five years. A number of other suggestions have been mooted:

- Development of a theatre in the city centre. This could involve relocation of the Belltable, while the establishment of a city theatre company should be positively supported.
  - Examination of the viability of development of an international convention centre.
  - Promotion of golf classics in the region.
  - Enhancing the leisure base of Limerick city centre. Cinema in the city needs to be restored. Appropriate car parking facilities at night-time need to be arranged. The attractiveness of Limerick city centre at night-time must be improved.
  - Developing the marine and boating sector in Limerick. The focus group supported the proposal to have a river ferry or waterboat operating between the city centre and the University of Limerick along the River Shannon, particularly during the summer season. This could also serve Bunratty from the city centre.
- Golf tourism is a key growth area for Ireland. There is potential to market Ireland as a destination for affordable golf by marketing the many excellent grade 'B' golf courses available in Ireland and the region.

## 4.3 RETAIL SECTOR

The boom in consumer spending over the last decade has had a hugely positive impact on the retail sector in Limerick. The wholesale/distribution sector has benefited hugely from increased retail activity and the increased number of retail outlets in the region. The entry of foreign outlets has resulted in greater competition in the Irish retail market.

Limerick City has been regenerated in the last 10 years. This is most notable in the modern retail,



## SECTORAL ISSUES

office and apartment developments surrounding the city. The shopper in Limerick benefits from a much broader and more varied choice of shops and outlets. From a macro perspective, there is now a keen sense of competition between the city centre and large shopping centres located in suburban areas. Plans to further enhance Limerick's employment base through focusing on financial services will prove hugely beneficial for this sector in the greater Limerick area.

The retail sector benefited from the boom in tourist numbers in the late 1990s. On the other hand, a cosmopolitan retail sector has proved a major asset that the region can offer tourists. This is particularly important given the trend towards a greater focus on the home market by hotels in recent years.

Congestion is a huge problem, with increased car ownership leading to frustration for potential shoppers in the city centre who face protracted journey times from all approaches to Limerick. Free parking, in addition to an excellent range of shops, is attracting huge numbers to shopping centres on the outskirts of the city.

Increased technology, particularly IT, continues to play a greater role in areas such as stock control, security, administration, sales management and marketing. There is a huge onus on stores to maintain margins by increasing efficiencies in areas such as stock shrinkage. To cut costs, the sector is increasingly dealing on a direct basis with manufacturers, which has led to reductions in business and employment for Irish companies that act as distributors/importers of goods manufactured in other parts of the world.

## RECOMMENDATIONS

- The fourth crossing of the River Shannon is viewed as the first step in the plan towards the pedestrianisation of the city centre, presaging major development. Key related issues include the facilitation of bus lanes and the removal of on-street parking to allow easy access to the city centre.

- Another key management issue relates to delivery schedules to retail outlets located in the city centre, with increased restrictions being proposed for large delivery trucks accessing the city at certain times of the day.
- The issue of crime is of serious concern to business. The introduction of closed circuit television (CCTV) in the city centre is long overdue.

## 4.4 CALL CENTRE SECTOR

The Mid-West region has a strong concentration of call centre operations based in Limerick City and Shannon. Over the last decade, call centres emerged as a source of competitive advantage for larger companies seeking to improve customer access and by adding greater value and after-sales service. The ability of consumers to conveniently access information from the Internet and by phone is now a central provision in many consumer markets.

Call centres constitute an efficient way of organising staff, thereby ensuring good customer response. Call centres are not location-dependent, provided that leading-edge telecommunications infrastructure is available. Scale in terms of volume of calls is critical to ensure profitability. Key growth sectors for call centres include financial services such as insurance and banking and utility providers such as telecommunications and energy companies.

Companies are operating successful call centre functions from the region where the call centre is complementary to another core area. These successful companies are responsible for finance, IT and marketing in support of the call centre operation. Cost escalation is a major challenge for this sector, with call centre functions benchmarked against global competition. Third-party call centres are under particularly severe pressure. This business is ultra competitive, particularly for single language contracts and business at the lower end of the market due to global competition.



Ireland's competitive edge in the call centre sector is based on a strong reputation for providing excellent customer service. Irish employees have natural 'soft skills' which positively influence customer satisfaction. The region is also attractive as a place for non-nationals to settle for periods in excess of 1 to 2 years. This adds to the region's labour force with foreign language skills. The availability of part-time labour in the region, particularly from the third-level student population is a critical advantage for call centres located in Limerick.

## RECOMMENDATIONS

- Call centre companies of sufficient scale, with a strong core product or portfolio of value-added services, should be actively attracted to the region. Key areas where the region has established competencies and can attract further investment include software support and financial services.
- Companies offering customer support services in niche value-added areas, including multi-lingual and technical support, should also be supported. The cost and availability of the telecommunications infrastructure and services which back up such business in this region needs to be improved.

## 4.5 SOFTWARE DEVELOPMENT SECTOR

The Irish Software Association<sup>8</sup> (ISA) is the representative body within IBEC for the software sector in Ireland. The ISA submission to the Enterprise Strategy Group in November 2003 concluded that:

*'The Irish software industry, which comprises multinational and indigenous companies, is in imminent danger of becoming irrelevant on the*

*world stage by 2008 from a current position of being the largest exporters in the world'.*

The dangers arise from various sources. Costs in the sector are increasing, as is pressure exerted by shareholders in publicly-quoted companies, who by demanding greater profits may force multinationals to relocate outside Ireland and so deprive the economy of 32% of its exports. There are increasing threats from emerging economies, such as China and India, which have a significantly lower cost of production and greater capacity to create software, despite continuing design weakness. The indigenous industry is struggling to create companies with a turnover of in excess of €2 million.

However, with the experience of creation, development and expansion, which the industry has enjoyed in the last 25 years, there are also many opportunities to find a sustainable position in the emerging world software order.

The report concludes that the software sector in Ireland has reached a crossroads. This is also true for the sector in the Mid-West region. The following key trends in the sector were identified:

- Software development is the business of solutions. Companies in all sectors are increasingly turning to IT to deliver efficiencies in key areas through the management of information flow within the business. The catalyst is often increased automation of production. Key trends in software development include:
  - increasing the pace of new product development;
  - the development of niche markets;
  - an increasing focus on the integration of systems.
- End-users demand that the software industry quickly establish standard platforms for innovation. Companies compete early in the innovations life cycle to attain the accepted standard. The alternative strategy is to maximise use of the standard developed by others in the industry
- Personnel forms the principal source of costs for business in this sector, accounting for upwards

<sup>8</sup> For further information on the Irish Software Association see [www.software.ie](http://www.software.ie)

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of two-thirds of total costs. The recently introduced changes to benefit in kind are of particular concern in this sector.

### RECOMMENDATIONS

- The ISA recommends that the Irish software industry strive to become a world leader in specific sustainable industry niches. The industries identified by Forfás in its review of ICT clusters in Ireland are too broad, i.e. application software, digital content, e-business, hardware and systems, IC design, IT services, support services, systems software and telecommunications. Research is needed to explore key niches where Ireland can create a cohesive focus to become the world leader. The sector in the Mid-West must play an active part in this process.
- R&D undertaken by the third-level sector must be rooted within a market-defined requirement or expectation of future market behaviour. This requires greater collaboration with companies on R&D that can be commercially realised within a defined timeframe.
- Ireland must enhance the capability, expertise and experience of management to fully develop this sector.
- Supports for software development companies, particularly in the area of marketing, must be continued. The availability of funding support and management must also be assessed on a national basis.

## 4.6 ELECTRONICS SECTOR

The Mid-West region has an established base of multinational electronics companies with a significant number of employees. This is complemented by a strong network of smaller Irish electronics companies, operating in niche markets, which have gained from the skills and knowledge of the multinationals. The companies that attended the electronics focus group employ over 3,000 people in Ireland and almost 30,000 worldwide. Companies of this scale have turnover measured in billions and make an enormous contribution to the local and national economy.

Electronics is a key manufacturing sector within the Mid-West region. Most electronics companies were established in the region primarily as manufacturing centres, later adding design and product development, thereby integrating the entire value chain.

The global future for the industry is positive, with strong growth projected. This is due to the increased use of electronics in all sectors of the economy. However, Ireland is now a high-cost location for investment in this area.

The key issue for the sector is retaining competitiveness in the face of global competition. China poses a major challenge for electronics companies based in Ireland. Countries in the Far East have benefited from multinational investment over the last 10 years. Their competitive edge derives from low labour costs for skilled personnel but they lack an established design and product development base.

The sector's top three infrastructure priorities were identified as:

- high-speed telecommunications connectivity to the home;
- upgrading of the road to Dublin;
- ensuring an uninterrupted energy supply.

## RECOMMENDATIONS

- Companies must be assisted in moving further from the low value-added assembly type business to higher value-added niche areas. The excessive level of bureaucracy involved in applying for State assistance needs to be reduced. Real difficulties exist in understanding and applying for such support due to the complexity of the guidelines.
- Assistance will also be required in creating strategic alliances with manufacturing partners in Eastern Europe and the Far East in order to take advantage of their cost base, while retaining design and development capabilities in Ireland.
- Retention of low corporation tax is critical to maintaining a manageable cost base within Ireland for manufacturing.
- Proper planning for the region is required, with a greater focus on the contribution and needs of business.

## 4.7 ENGINEERING SECTOR

A consensus exists that the general engineering sector is no longer competitive within Ireland. Success in this industry is based on maintaining low per-unit costs and driving volume. Once a major contributor to the region in terms of jobs and wealth-generation, it is now routinely mentioned along with textiles and clothing manufacturing as a sector in serious decline. Most multinational engineering companies were established solely as manufacturing centres in the region. The successful ones grew originally because of excellent productivity and delivery of production targets. Similar to the electronics sector, the key development in the last decade has been the movement of low value-added production to Eastern Europe and the Far East, with China again proving a popular location. Anecdotal evidence suggests that components can be manufactured in these locations and delivered to Ireland at a fraction of the cost of producing them here. Irish companies are availing of

the low costs available in these countries, with many companies only involved in testing and packaging in Ireland. The question is how long these companies will be sustainable, particularly if the marketing and sales function is not based in Ireland.

Global competition is a key challenge for the sector due to the fact that the majority of production, usually over 90%, must be exported. Traditional engineering companies, both indigenous and multinational, faced with a rate of price reduction of 10%-15% a year, have focused on niche markets. Cost control is critical to maintaining margins. The group emphasised the importance of strategic planning, diversification and market analysis. Attracting new customers is almost impossible in this industry. Companies have focused on generating additional business with existing customers by increasing product quality and complexity.

The engineering sector is a critical support to other industries in Ireland, particularly electronics, medical devices, energy, chemical and pharmaceutical companies. Without a strong, competitive sub-supply and engineering services base, the competitiveness of other companies in the region will be adversely affected. The sector continues to be a key developer of skills and must be supported so that it can continue to play a key role in the future. The reliance of the Mid-West on engineering and electronics makes this paramount for the future of the region.

## RECOMMENDATIONS

- The capability grants offered by State agencies have been excellent and need to be maintained and expanded. There are a number of indigenous engineering companies in the region that have adopted strategic planning and developed their businesses from small to medium and large scale. With the proper support in areas such as R&D, marketing and management training, as well as strategic planning, other small companies could be facilitated to develop in a similar manner. The State

## SECTORAL ISSUES

agencies must be more proactive in marketing supports, including the Competitiveness Fund administered by Shannon Development in the Mid-West to facilitate such development.

- State agencies must continue to assist companies to network with others in low-cost locations, allowing them to take advantage of the low-cost production bases either directly or through joint ventures, while retaining manufacturing knowledge and skills in design and development within the Irish operation. The retention of this knowledge base is critical to the future development of R&D in Ireland and must be a specific State agency objective.

### 4.8 AEROSPACE SECTOR

The Shannon region has an established base of aerospace companies, as evidenced by the location of an aviation park in Shannon. Several high-profile companies in Shannon are involved in aircraft maintenance and overhaul and engine repair. The aerospace industry is highly specialised, and the Shannon-based companies operate within well-defined niches which are extremely labour-intensive and based on expert knowledge. There is potential to exploit the skills and expertise of these companies in enhancing the region's aerospace profile.

Despite the adverse effects of the atrocities of 11 September 2001, the overall trend in aviation is towards increased flights, greater passenger movement – particularly with the advent of low-fare travel across Europe, and increasing uptake of long-haul flights to the US and Far East. Aviation technology is continually improving with newer models of aircraft coming on stream. This means that engines and aircraft can fly significantly more hours without requiring additional expenditure on repairs, service and overhaul beyond routine maintenance.

The aerospace sector is allied to the engineering sector and faces similar challenges. Companies are facing price reductions and global competition.

Successful operations differ on productivity and quality.

The loss of air services between Shannon and Europe has had a negative impact on the ability to organise the supply of spare parts and components at short notice. It can take two days for urgent deliveries to arrive in Shannon from continental Europe.

## RECOMMENDATIONS

- Shannon Development and the IDA should develop a strategy to build on the existing base of aviation and aerospace industries in the region.
- There is potential to develop and expand the range of niche aircraft and engine repair services available in the region, for instance, by developing competence in the area of avionics, building on the region's electronics skill base.

### 4.9 MEDICAL DEVICES/ HEALTHCARE SECTOR

Ireland is a world-leading centre for medical device companies, with strong clusters located in Galway, Cork and the Mid-West. The Mid-West has a growing base of medical device and healthcare companies that accounts for significant employment in the region. The majority of employees in medical device companies in Ireland are involved in manufacturing. The more established companies are involved in R&D and marketing, with new product development a critical part of the business.

The healthcare sector is buoyant globally, and is expected to continue to experience strong growth over the next five years. The companies that attended the focus group have achieved, on average, over 15% growth in turnover over the last five years. The ageing population in the developed world is a strong stimulus for growth.

This sector is profitable but requires huge reinvestment in facilities and R&D to maintain its

competitive edge. The companies' manufacturing facilities are benchmarked against sister plants across the globe and costs are closely monitored. The plants are continually evaluated in terms of ongoing investment relative to other locations.

Medical advances arising from product development lead to products that are more sophisticated and complex and therefore more expensive to manufacture.

However, companies are under enormous pressure to continually lower production costs in order to lower sales prices.

In addition to rising costs, companies in this sector are faced with price reductions in the region of 3%-4% a year, with large customers such as national health services negotiating significant discounts.

The medical device/healthcare focus group was positive about the ability of the region to attract further FDI. Important issues raised in this context include:

- the corporate tax rate;
- a track record of performance;
- good management skills;
- a positive, flexible workforce;
- the established base of engineering services and skills in the region.

American multinationals value Ireland's location when expanding into Europe. They particularly value the positive attitude and track record in delivery of performance. The educated workforce is taken as a given, even though there are some skill shortages in Ireland. This applies particularly to technicians. However, Ireland is now perceived in Europe as a very expensive location in which to conduct business. Also of growing concern to the sector is the lack of access to the region.

The Irish Medical Devices Association<sup>9</sup> (IMDA) is the representative body within IBEC for the medical

devices and diagnostics sector in Ireland. In its strategy document<sup>10</sup>, the IMDA outlines key measures needed to secure the long-term development and growth of the sector. Specific recommendations include:

- Physicians and clinicians must become more actively involved in fostering a proactive new product development culture. Hospitals must be encouraged to use newly developed products to increase awareness of new opportunities for both the patient and industry.
- Interest in science subjects at school level should be further stimulated. Ongoing government funding is required to resource science and technology education initiatives. A comprehensive education programme is needed to address the low percentage of female science and engineering graduates.
- Efficiency in Ireland's regulatory environment will allow standards to be maintained and audited (i.e. compliance) at minimum cost and inconvenience to firms. The inadequate resourcing of the Irish Medicines Board needs to be addressed.

The IMDA welcomed the Government's announcement of a new R&D tax credit as a significant initiative, but added that more is needed. Besides the 20% tax relief for new R&D, the Government should underpin existing R&D with a 3% volume-based tax relief.

## RECOMMENDATIONS

- Air services between Shannon Airport and Europe must be developed. Access to US and European markets for sales and marketing was declared critical while corporate management needs to be able to easily access the region. The lack of access for key corporate decision-makers to this region adversely affects future investment decisions.
- With companies becoming more centrally involved in R&D, proximity and access to customers becomes even more critically important.

<sup>9</sup> See [www.ibec.ie/imda](http://www.ibec.ie/imda) for further information

<sup>10</sup> *Statement of Strategy for the Medical Devices and Diagnostic Sector in Ireland, 2004-2007 Irish Medical Devices Association, December 2003*

### 4.10 PHARMACEUTICAL/ CHEMICAL SECTOR

Intellectual property and patents are crucially important to the pharmaceutical/chemical industry. The announcement that Taro Pharmaceuticals will be developing an R&D campus involving 80 research staff as part of its investment in Roscrea is particularly welcome.

The pharmaceutical industry in Ireland is perceived as being very profitable, with large margins achievable, allowing above-average wage rates. However, it faces a number of challenges to this enviable position. The cost of pharmaceutical products is coming under increasing scrutiny, particularly from governments within the EU. As has occurred in the medical devices sector, national health services can influence prices through their significant purchasing power. With costs escalating in Ireland, multinationals are looking at other locations for manufacturing. Locations such as China and emerging countries such as Lithuania are challenging the Mid-West for investment.

For companies where R&D is centralised, there is a continuous challenge to attract new product lines manufactured in the Irish facility. This involves constant benchmarking of costs, efficiency and quality.

Biotechnology<sup>11</sup> is the key growth area for new products in the pharmaceutical and healthcare sectors. This is a new science in drug development based on the chemistry of the body and reaction to biological processes rather than chemical synthesis. It is estimated that at least 50% of growth in the pharmaceutical industry in the future will be generated by biotechnology developments. This will require huge capital investment in the order of €300- 400 million if Irish facilities are to develop in the long term.

### RECOMMENDATIONS

- As a key national issue, Ireland must plan to ensure that pharmaceutical companies are prepared to fully exploit the potential presented by the development of biotechnology. A national strategy must incorporate initiatives to fundamentally enhance the links between industry and the third-level sector.
- Pharmaceutical companies place great emphasis on community relations. The focus group recommended that greater involvement from local authorities in hosting foreign direct investors would be a very positive signal of local community support for investment projects.
- Ireland needs to improve its planning for business. National objectives need to be applied more seamlessly at local level. The issue of strategic industrial zones, where development of business from start-up would be accelerated, must be given greater priority.

<sup>11</sup> For further information on Biotechnology in Ireland see Irish BioIndustry Association (IBIA) website [www.ibec.ie/Sectors/IBIA](http://www.ibec.ie/Sectors/IBIA) See [www.bio.org](http://www.bio.org) for further information on the BioTechnology Industry worldwide.



# ROAD ACCESS TO THE MID-WEST REGION



MAP LEGEND

		Main Towns (population >500)
		Strategic Links
		Major Road Proposals

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## NOTES

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