

Estonian Development Fund Manufacturing Forum

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An Overview of Manufacturing in Ireland

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Ireland at a Glance

Population

Republic of Ireland

4.2 million (up 8% since 2002)

Northern Ireland

1.7 million

Real GDP Growth

2006 5.7%

2007 4.0%

2008 (F) -1.3%

2009 (F) -0.7%

Annual Price Growth

2.7%

2.8%

3.3%

2.4%



Manufacturing in the Irish Economy

- Manufacturing sector spent €26.3bn on labour, materials and services in Ireland in 2007
- Contributed €1.6bn in corporation tax (2005) - one third of total tax yield
- Manufacturing provided 11% of total employment
- Provides 22% of total output of economy
- Services now 35% of exports and Ireland 10th largest exported of internationally traded services



Manufacturing Matters

- Employs 211,800 directly and approximately 160,000 indirectly (Q1 2008)
- Latest Central Statistics data shows that employment in production industries excluding construction fell by 10,100 in the year to the second quarter of '08.
- Manufacturing output increased by 45% between 2000 2007. Continues to grow in 2008 – up 4.3% from Sept 07 to Sept 08. (Main driver of increase was basic chemicals sector)
- Merchandise exports for 2007 were €88.5bn for 2007 up 2% on 2008

But factory prices down 9%





March 2008



The Report of the High Level Group on Manufacturing

Establishment of the HLMG Group

- Established under Social Partnership
- Comprised of Government, Trade Union and Employer Representatives - *The Three Pillars*
- **Examined**
 - Contribution of manufacturing to the Irish economy
 - Changing nature of sector – Ireland and other developed countries
 - How trends in global economy are impacting on current and future prospects for the sector
 - Current and future policy responses
 - Key challenges facing Irish Manufacturing and responses required
 - Actions required by Firms, Employees and Government



Trends

Global Factors

- Globalisation - opportunities & threats
 - Emerging large scale markets, intense worldwide competition
- Technological advances permeate all element of production and business
 - Flexible supply chain approach
- Blurring of manufacturing & services
- More informed customers
- Global business markets - agile, partnering

Domestic Factors

- Concern over rising costs - relative to competitor countries



An Extended Definition of Manufacturing

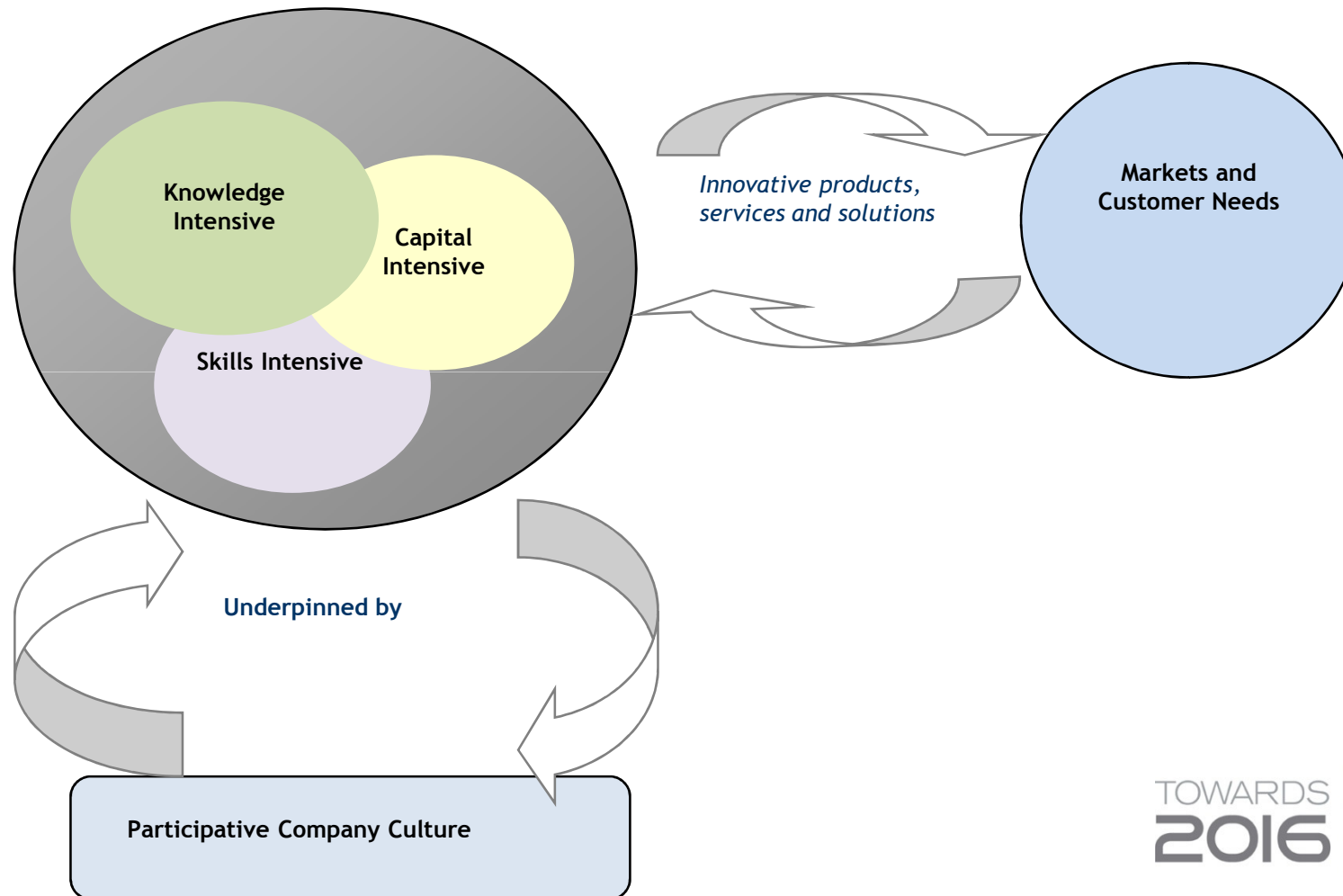


Impact on Firms

- Must look at where strategically they can **add value**
- What **activities** they should or should not engage in
- **Partner** with global players
- What **niche** areas they should engage in
- How can they **differentiate** themselves from others



The Manufacturing Firm



Time for Action

The Group highlighted a limited number of action items that are critical to the success of the manufacturing sector



Actions Required

At the Business Environment Level

- Address cost competitiveness issues

At the Firm Level

Focus resources and emphasis on:

- Innovation and productivity
- Reskilling and management development
- Awareness and take up of existing initiatives



Costs

Escalating costs

- Energy
- Waste management
- Local Authority charges
- Professional services

The HLG acknowledges complexities involved

BUT

- Reiterates there are fundamental concern that escalating costs are having a detrimental impact on the sustainability of manufacturing in Ireland

AND

- Acknowledges that firms can play their part in energy and waste efficiency initiatives



Costs - Actions required

- Energy costs must be brought back in line with EU in the immediate term
- Increased financial support to firms to achieve energy efficiencies
- Implement recommendations in the Waste Benchmarking Report - price structures
- Ensure firms are fully aware of benefits of waste prevention
- Local Authorities to be sensitive to business costs
- Implement the recommendations of the Competition Authority's review of the Professional Sector



Actions required at Firm Level

Innovation and increased Productivity

Establish National Manufacturing Competence Centre(s)

- Transformational change and increasing productivity
- Energy efficiency in MFG - use of BAT
- Factory of the future - More automation, BAT, Global Business models, convergence across technologies

Stimulate an innovative culture at firm level - Support non-technological innovation across all firms' activities (HR, Lean etc)

Support Benchmarking against international best practice

Develop a *User Guide on Productivity*



Actions required at Firm Level

Re-Skilling and Management Development

Recommendations are focused on

- Optimising the use of available resources toward reskilling of people already in the workforce as per Expert Group On Future Skills Needs (EGFSN)
- Adequately resourcing delivery mechanisms that have proven to be successful
- Building world class management capability for the innovative firm
- Second Chance Education



Raising Awareness/Access to All Supports

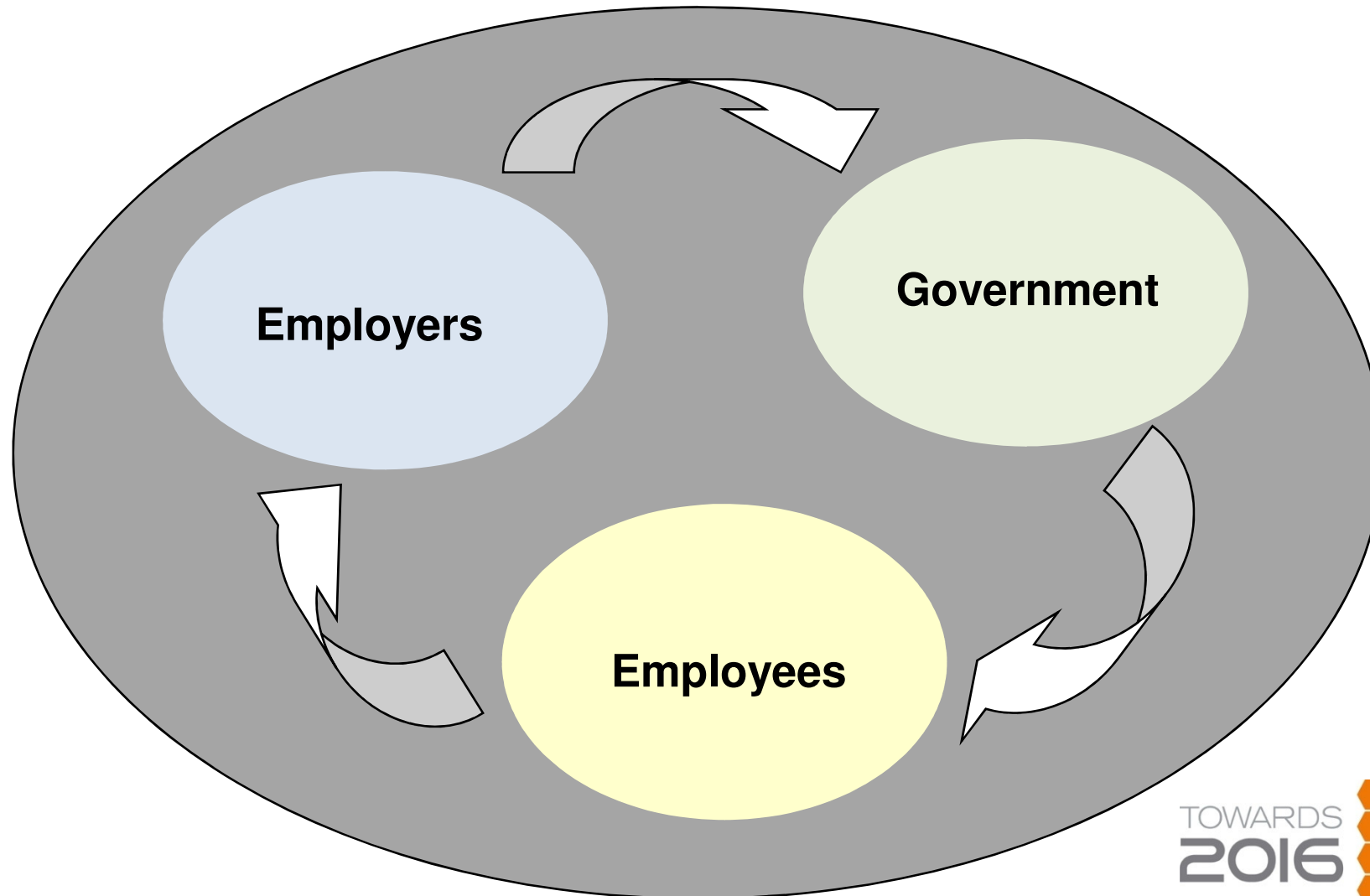
Recommendations will only be effective if firms proactively engage with initiatives on offer

The Development Agencies need to:

- Improve uptake and drawdown of existing supports and streamline processes
- Increase and intensify efforts to promote the range of support initiatives and increase the use of advocates
- Implement a central web-based resource for business



Working Together to Make it Work



Manufacturing Forum

Recommend the establishment of a Manufacturing Forum

- Drive Implementation of actions required
- Action-oriented advocate for the manufacturing sector
- Act as a “Clearing House” for the sector
- Keep manufacturing high on the agenda
- Communication and engagement across all parties

Ready to be implemented by Social Partners



Looking to the Future

- Manufacturing, Financial and Shared Services, ICT, Pharmaceutical, BioPharma, Medical Technologies & Food will continue to be key drivers of the Irish Economy
- Traditional Industry experiencing difficulties
- Over 1,000 foreign companies based in Ireland
- Still good Foreign Direct Investment by high tech innovative companies – low tax rate still attractive
- Substantial investment in R&D by existing and new companies
- Generous support for R&D
- Well developed third level infrastructure
- Irish economy is very open – global problems



Thank You

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High Level Group on Manufacturing

