

IDA Ireland Annual Report and Accounts 2013

Introduction

Chairman, Committee Members,

I thank the committee for the opportunity to present to it this morning. I am accompanied by Mr Dermot Clohessy, Executive Director, IDA; Ms Mary Buckley, Divisional Manager, Corporate Affairs, Regions and Property; Ms Regina Gannon, Chief Financial Officer.

I have already provided to the Committee a detailed briefing note. In presenting the 2013 Annual Accounts I will make some brief introductory remarks.

IDA Ireland, (as the committee will know) is the Government agency responsible for attracting Foreign Direct Investment (FDI). In 2013, the Accounts under review this morning, we reported a positive year and this continued in 2014 with a growing number of new greenfield investments, expansions and transformations by existing companies. At the end of 2013, the IDA client base in Ireland was 167,357 jobs and this had increased to 174,488 jobs at the end of 2014, the highest level in the history of IDA Ireland.

There were 164 investments won in 2013 and 197 investments won in 2014, an increase of 20%. There was a notable rise in new name investment, with 88 new name investors in 2014, equating to a 13% increase on 2013.

Among the leading investments secured during 2013 were Deutsche Bank, Twitter, eBay, Salesforce, Novartis, Vistakon, Facebook and Zurich. First time investments were secured from corporations across the portfolio including from Qualcomm, Airbnb, Tripadvisor, Regeneron, Huawei, and Alexion. Among the leading investments secured during 2014 were Amazon, Bristol Myers Squibb (BMS), Fidelity, LinkedIn, Paypal, Ericsson, SAP, Johnson & Johnson, West Pharmaceuticals and Adroll. There were job gains across most sectors but particularly in Digital media/content, Technology, International Financial Services, Pharma & Med Devices and Business Services.

IDA's Horizon 2020 Strategy / Update for 2013 and 2014

IDA's strategy Horizon 2020 over the period 2010 – 2014, came to an end in December 2014. IDA exceeded the key jobs and investment targets set under that strategy. For the five years of the strategy, IDA has achieved a net increase in employment of 28,242, against a target of 25,000. IDA achieved a gross increase in employment of 65,066 against a target of 62,000 over the same time period and this resulted in a total impact of 110,612 against a target of 105,000. This job performance took place against a particularly challenging European and global economic environment.

New Strategy

IDA is currently developing a new strategy for FDI and this will be formally announced over the coming weeks. The strategy will set out the organisation's targets for the next five-years including how and where we intend to win the next wave of sophisticated investment for Ireland.

IDA is a key contributor to the Government's annual Action Plan for Jobs process and is responsible for the delivery of key actions.

Regional Focus

Horizon 2020 set down ambitious regional economic development targets for the dispersal of investments in regions outside Dublin and Cork. While these have been challenging, 2014 saw a much improved year for regional dispersal with 37% of investments going to outside Dublin and Cork, the best performance over the last 5 years and up on the 30% recorded in 2013.

Examples of regional announcements in 2013 include; Regeneron, Cook, Vistakon and ACI in Limerick. There was also eBay and National Pen in Dundalk and Overstock in Sligo, amongst others. In 2014 there were announcements from Jazz Pharmaceuticals in Roscommon, Becton Dickinson in Drogheda, West Pharma in Waterford, Teleflex in Athlone and Clearstream Technologies in Enniscorthy.

The committee may be aware that yesterday the Government announced a Capital Investment programme of €150m over the next five years to underpin IDA's regional approach which will be announced as part the organisation's overall strategy in the coming weeks. Specifically, 9 new Advanced Technology Buildings will be constructed over the next 3 years, commencing with Tralee, Castlebar and Sligo in 2015, followed by Athlone, Dundalk, Carlow, Limerick, Galway and Waterford over the following two years.

Ireland's attractiveness as a location remains strong

Foreign Direct Investment is an area which continued to perform during the economic crisis and Ireland has been very successful in attracting many of the world's most innovative and sophisticated companies to set up operations here.

FDI has a significant impact on the wider economy;

- €124.5 billion of exports from IDA client companies (up 2% on 2012)
- c.66% of corporation tax in Ireland paid by IDA client companies
- IDA client companies spent €22.4 billion (up 8% on 2012) in the Irish economy (€8.5 billion on payroll)
- c.10,000 jobs in construction in 2014 as a result of FDI activity

The improvement in Ireland's macro-economic and fiscal situation now provides a positive backdrop for investment. IDA reinforces Ireland's positive message in boardrooms across the world.

Many aspects of competitiveness have improved over the last number of years and international surveys consistently place Ireland in the top half dozen locations for FDI and pro-business policies; For example, in the IMD World Competitiveness Yearbook 2014, Ireland's ranking has improved from 24th position in 2011 to 15th. In December 2013, Forbes named Ireland the best place in the World to do business. The IBM Global Location Trends report places Ireland number one in terms of quality and value of FDI.

Sectors such as Technology, Pharma, Med Devices and Internet investments have performed extremely strongly and will continue to be the core focus for IDA. Manufacturing and Global business services have also performed strongly and Ireland is well positioned to benefit further from investment in these areas. We are of course looking at opportunities in other sectors – and also where sectors converge; for example Pharma/Med devices or Med Devices and Technology.

Our challenge now is to maintain those companies that we have attracted and to attract a new cohort of businesses.

Corporation Tax

Ireland's corporation tax offering was enhanced during 2014 with changes introduced as part of Budget 2015. These changes position the country to sustain, and win inward investment in the years ahead and further strengthen what Ireland can offer overseas investors.

Firstly, Budget 2015 reaffirmed the commitment to the 12.5% Corporation Tax Rate, while also dealing with the issue of our corporate tax residency rules. The changes to the Irish corporate tax residency rules provided that all Irish registered companies will also be Irish tax resident with effect from 1 January 2015 for new companies and from 1 January 2021 for existing companies. This change confirms Ireland's international reputation as a country with a stable, transparent and fair taxation regime by bringing clarity to how Ireland's tax rules interact with tax regimes present elsewhere.

A Road Map for Ireland's Tax Competitiveness was published which aims to position Ireland towards maintaining the most competitive taxation offering that conforms with good practice. In conjunction with the non-tax measures set out in the Government's recent "Policy Statement of Foreign Direct Investment in Ireland", this Road Map will provide the foundations for Ireland to maintain and expand its position as a thriving hub for FDI. IDA welcomes the new measures including a new "best-in-class" knowledge development box, a broadening of the R&D tax credit and an improved Special Assignee Relief Programme (SARP).

The Department of Finance (DOF) public consultation process was launched in mid-January 2015 to gather views on how the proposed Knowledge Development Box should operate. This consultation process should ensure maximum constructive input from the FDI sector.

2013 Annual Accounts

In relation to the 2013 accounts specifically, IDA Ireland's Annual Report and Accounts for 2013 were signed off by the Comptroller and Auditor General on 24 June 2014. The total Oireachtas funding available to IDA Ireland in 2013 was €126.36m.

IDA Ireland had an Employment Control Framework number of 272 staff in 2013 and 2014 and remained within this ceiling throughout both years. IDA also commenced recruitment in 2014 of a further 35 team members under the Action Plan for Jobs initiative, Winning Abroad.

During 2013, IDA managed the integration of functions from Forfás and the Integration of Shannon FDI portfolio.

Conclusion

Performance in 2013 and 2014 proved to be very strong overall, especially in the context of continued global uncertainty and reflects a concerted effort across the organisation focused on business generation, delivery and client service. The employment results for 2013 and 2014 clearly highlight the keen focus that must be maintained on national competitiveness and the transformation process within client companies in the Irish economy in order to maintain and grow jobs in Ireland. The immediate pipeline is encouraging across a range of sectors and business models but we cannot take this for granted.

Finally, I would like to take this opportunity to acknowledge the global IDA team for their dedication and commitment to attracting real investment and jobs to Ireland. Without them, the positive results and impact I have discussed would not be possible. I would also like to thank the wider public and private sector support that IDA receives in support of its mandate.