

Western Development for Ireland's Future

Submission to the Consultation on
Ireland's National Development Plan 2007-2013



Contents

Foreword	3
Summary	5
1. Introduction	23
1.1 Objectives and Vision	24
2. Regional Scenario	27
2.1 Population Growth and Projections - Uneven Spatial Character	27
2.2 Western Region Mainly Rural	27
2.3 Regional Disparities Widening	28
2.4 Employment Trends	29
2.5 Education - High Attainment but Lost to the Region	31
2.6 Infrastructure - A Continuing Constraint	32
2.7 Social Exclusion	32
3. National Priorities and Balanced Regional Development	33
3.1 Challenges for Balanced Regional Development	33
3.2 Quality Infrastructure Must Underpin Competitiveness and Growth	34
3.3 Building the Knowledge Economy and Growing Indigenous Enterprises	35
3.4 Social Cohesion	35
3.5 The National Spatial Strategy and Balanced Regional Development	36
3.6 Developing Rural Economies	37
3.7 Networking and Partnership in Rural Development: The WDC Approach	38
4. Investment Priorities for Infrastructure	41
4.1 Transport Infrastructure	42
4.1.1 The Road Network	42
4.1.2 The Rail Network	45
4.1.3 Air Access	47
4.2 Energy Infrastructure and Renewable Energy	50
4.2.1 Energy Infrastructure	50
4.2.2 Renewable Energy	52
4.3 Broadband Infrastructure	58
5. Investment Priorities for the Productive Sectors	63
5.1 Tourism - Need to Reverse the Decline in Rural Regions	64
5.2 Enterprise and Employment - Fostering Dynamism in the Regions	72
5.3 Venture Capital in the Western Region: The Western Investment Fund (WIF)	81
5.4 Organic Agri-Food Sector	85
6. Cross-Border Co-operation	89
6.1 Road Network	89
6.2 Air Access	89
6.3 Energy	90
6.4 Tourism	90
6.5 Higher Education and Research	91
6.6 Networking	91
7. Targets and Indicators	93
7.1 High Level Targets	93
7.2 Regional and Specific Targets	94
7.3 Indicators	94
7.4 Evaluation	95
Appendix	

Foreword

The Western Region of 2006 is, in many ways, very different from what it was in 1999 when the Western Development Commission made its submission to the current National Development Plan 2000-2006. We have seen a significant growth in population in the seven counties, driven by job opportunities and by the attractiveness of the region as a good place to live, work and do business.

The numbers of indigenous companies have increased, particularly in the high-tech sectors. Several large multi-national firms, involved in internationally traded services, have located around the region. Ireland West Airport Knock has become the fastest growing airport in the country. Improvements in economic and social infrastructure have allowed the West position itself as a dynamic place that can offer an exceptional quality of life.

Although these are very positive developments, we face significant challenges that could threaten or undermine the progress of recent years. Employment in agriculture and other primary sectors continues to decline and the traditional manufacturing sector has suffered substantial reversals. While the growth in the construction sector has lessened the economic impact of these trends, the long term sustainability of a high dependence on this sector is questionable.

The West also faces considerable challenges in the transformation to an innovative knowledge-based economy due to weaknesses in its knowledge base and the continued loss of its highly skilled young people to jobs outside the region.

Investments under the current NDP have delivered much needed improvements in road, rail, and telecommunications infrastructure in the region, and in, for instance, enterprise support, training and childcare. In a very real sense though, these improvements are only a start, and in a national context the West's gains have been modest. The NDP objective of balanced regional development has remained elusive.

Unless there is a strong and explicit policy commitment to greater regional balance, backed up by appropriate investments, there is a real concern that stronger regions will continue to grow at the expense of those that are weaker, such as the Western Region. Thus, the WDC believes that one of the primary objectives of the NDP 2007-2013 must be to bring about more regionally balanced development.

It is within this context that the staff of the WDC have prepared this submission to the consultation on the NDP 2007-2013. We have focused on those areas relevant to the WDC's work – transport, energy and telecommunications infrastructure, tourism, enterprise and employment, venture capital, renewable energy and organic agri-food.

While much of the discussion in the document relates to the particular circumstances prevailing within the Western Region, we believe that many of our recommendations are also relevant for other regions and could contribute to the achievement of more balanced development across Ireland.

Lisa McAllister
Chief Executive
April 2006

Summary

The main points of the submission are summarised in this section which, for ease of reference, is structured and numbered in the same manner as the main text.

1. Introduction

The Western Development Commission (WDC) is a statutory body, under the aegis of DCRAGA,¹ whose remit is to promote, foster and encourage economic and social development in the Western Region.²

In this submission to the National Development Plan (NDP) 2007-2013, our objective is to set out what we see as the key issues facing the Western Region and how they might be tackled in the context of the national objective of achieving more regionally balanced development. Our recommendations are based on our own research and analysis, and on other documentary sources. We draw particularly upon what we have learned from the WDC's 'on the ground' experience in engaging with various interests, in developing strategic regional initiatives, and in operating the WDC Investment Fund.

The WDC believes that the vision for the development of Ireland for 2007-2013 should include:

- Policy commitment to balanced regional development
- Future population growth, including migration, distributed more evenly across the regions outside the Greater Dublin Area (GDA)
- Gateway cities with sufficient critical mass to serve as focal points for their regions, as envisaged in the National Spatial Strategy (NSS)
- Increasing population in small/medium-sized towns in the regions
- Increasing indigenous economic activity in small/medium-sized towns, including significant employment in the public sector and locally traded services
- Rural areas where natural resources are exploited in a sustainable manner and which are well-linked to local centres
- Major improvements in transport and communications infrastructure to facilitate population and economic growth
- Adequate provision of social services at local level, so that location does not contribute to social exclusion
- Careful planning and management of the environment, including landscape, and of cultural and heritage resources

¹ Department of Community, Rural and Gaeltacht Affairs

² Counties Donegal, Sligo, Leitrim, Roscommon, Mayo, Galway and Clare.

2. Regional Scenario

Population growth

The CSO has projected a national population of 5 million in 2021 – an increase of 29% on the population in 2002. Planning for such a significant growth in population needs to be central to the NDP 2007-2013 and will require more than simple incremental increases in infrastructural and other investment.

The Greater Dublin Area (Dublin and the Mid-East regions) is projected to account for 45% of the total growth, amounting to half a million. The West (NUTS III) region is projected to gain 12% of the overall increase in population. Galway city and its environs are likely to account for much of this.

Western region mainly rural

The Western Region is predominantly rural, with 69% of the population living outside population centres of 1,500 persons. There are five urban centres with populations above 10,000 and a further 22 towns with populations of more than 1,500. Four of the larger urban centres in the region are designated as gateways and there are four hub towns. There are a large number of small rural 'market' towns, including county towns. The economies of those beyond commuting distance from larger employment centres have a high dependence on agriculture, traditional manufacturing, local and public services.

Regional disparities widening

The gap in Gross Value Added (GVA) per person between the Border, Midland, West (BMW), and Southern and Eastern (S&E) regions has widened in each year over the period 1996 to 2002. By 2002, GVA in the BMW region was 69% of the state average, down from 76% in 1996. In 2002 the BMW region accounted for 25% of the people at work in the state but only contributed 18% of total national GVA.

Employment concentrated in primary sectors and construction

The agricultural, industrial and construction sectors account for a higher proportion of employment in the Western and BMW regions than nationally. Construction employment has shown substantial growth and now accounts for 15% of all employment in the BMW region. Taken together, agriculture, forestry, fishing and construction account for 24% of employment in the Western Region (the same proportion as in the BMW region) compared to 17% in the S&E.

High share of manufacturing in traditional sectors; lower share in services

Manufacturing in the Western Region tends to be based more on traditional sectors, in that the food, textiles and wood sectors account for a higher than average share of industrial units. However, there is considerable variation within the region, and industrial employment in many counties is concentrated in one or two sectors (whether foreign or indigenous) e.g. food and drink in Roscommon. The Western Region has a lower proportion employed in the services sector, particularly in financial and other business services which is predicted to have one of the strongest employment growth rates nationally in the coming years. Public sector employment plays an important role in the regional economy particularly in small and medium-sized towns.

Education – high attainment but lost to the region

Generally children raised in the Western Region have relatively high levels of educational attainment, both in terms of Leaving Certificate completion and third level admission rates. Six of the western counties are included in the top ten for admission rates to higher education, including to colleges in Northern Ireland. However, limited employment opportunities mean that most new graduates gain employment outside the region. This is reflected in the general educational profile of the region's workforce.

Infrastructure – a continuing constraint

The infrastructure deficit facing the Western Region, and indeed the wider BMW, was acknowledged in the NDP 2000-2006 and provided for in operational programmes. Although there have been significant improvements over the past few years, the region continues to suffer from major infrastructural gaps and the commitments in the NDP 2000-2006 have not been fully met. While it is likely that by the end of 2006, the gap in road expenditure between the BMW and S&E regions will have narrowed somewhat, infrastructure weaknesses in transport, energy and communications remain a major constraint on development in the Western Region.

Social exclusion

The incidence and risk of poverty and deprivation has a spatial pattern and is highest in the west and north western counties. All counties in the Western Region have a poverty level above the national average, the only exception being Galway city. Donegal, Mayo and Leitrim are the three counties in the state where individuals are most likely to experience poverty and they are also among the most rural counties.

3. National Priorities and Balanced Regional Development

The WDC believes that one of the primary objectives of the NDP 2007-2013 must be to bring about more regionally balanced development.

Given the population and employment patterns and the competitiveness challenge currently facing Ireland, more balanced development will ensure a strong economic performance nationally, lessen the pressure on Dublin, achieve greater social inclusion and deliver a more sustainable population balance.

The WDC believes that the NSS provides the framework for regional development, but that a purely gateway-led approach is too limited.

Rural areas face unprecedented challenges, as farming declines in importance and manufacturing industry restructures, so that there is a need for a national strategy to respond to these challenges.

Delivery of rural development 'on the ground' needs proactive intervention based on collaboration and partnership.

Challenges for balanced regional development

The GDA is experiencing considerable problems associated with recent population settlement patterns e.g. congestion, pressure on infrastructure and services. An increase of half a million in the population will intensify existing pressures and problems. More balanced population growth will benefit Dublin as well as the regions.

Rural areas and smaller towns in the Western Region will continue to experience population loss unless there is a concerted effort to stimulate and maintain rural economies in the ways suggested in later sections. Further population losses will have a negative impact on social exclusion.

The reason for the widening gap between the BMW and S&E regions is clear – the BMW regions are producing a declining share of national output. Much of the employment growth in the regions in recent years has come from the construction industry, so that the proportions employed in this sector are now quite substantial. The long-term sustainability of this level of employment in construction is open to question.

The existence of wide disparities between regions is not conducive to national or regional competitiveness. Uneven development has resulted in very rapid and concentrated growth in the GDA. The impact of rapid growth and congestion on competitiveness can best be tackled by positioning the regions to catch up. Unless regions are enabled to compete, the GDA will continue to grow at their expense and this will impact negatively on competitiveness.

Quality infrastructure must underpin competitiveness and growth

The key role of infrastructure in promoting regional development is stressed in the NDP 2000-2006, the NSS and the Enterprise Strategy Group's (ESG) Report among others.

Quality transport access to and within the Western Region via strategic radial corridors, linking corridors and international access points; broadband connectivity; and the availability of a reliable energy supply are vital for regional growth. Better infrastructure can have a major impact on social exclusion, particularly in remoter rural areas. While undoubted progress has been made under the NDP 2000-2006, there are still major deficits in the Western Region.

Building the knowledge economy and growing indigenous enterprises

Knowledge-based activity can be relatively independent of location, provided there is adequate capacity to move information and people. Many of the large multi-national knowledge-based companies in Ireland are successfully trading globally from the regions. However, knowledge industries can be footloose as it is relatively easy for them to relocate when conditions change.

The mobility of foreign-owned knowledge-based enterprises underlines the need to support indigenous knowledge-based firms who are more likely to set up in the regions. There are growing numbers of Irish-owned high-tech firms that are important to the future of Ireland's knowledge economy and they should be encouraged and facilitated to locate in regional locations.

Also in the regions, some indigenous Irish firms in more traditional manufacturing sectors are becoming more innovative, globally competitive and growing export markets. It is important to recognise the contribution of Irish-owned manufacturing firms to local economies in regional locations and to address the skills needs of such firms.

Social cohesion

Achievement of social cohesion means that citizens should not be disadvantaged by location but should have opportunities for employment and good quality of life wherever they live. The challenge for regional policy is to enable regions to create the conditions by which regions are attractive as locations for businesses and places of residence.

The National Spatial Strategy and balanced regional development

The WDC believes that the NSS provides a coherent and robust framework through which investment under the NDP 2007-2013 can contribute to regionally balanced development.

Importance of gateways

Gateways are important as major drivers of economic growth and a focus for infrastructural provision, for access and as major service centres. Thus, the development of gateways is fundamental to regional development.

However a concentration on gateways, while necessary, is not sufficient. Gateway towns (because of their attractiveness to the private sector, and because they are a focus for public investment) may develop rapidly. But unless a commensurate emphasis on the development of linkages and infrastructure is included in the NDP 2007-2013, hub towns, smaller centres and rural areas may not be in a position to benefit from the development of gateways.

Beyond gateways

The NSS emphasises the potential of smaller towns and villages, though it suggests that many of their strengths lie in their capacity to accommodate employment, residential and other functions on the basis of their lower costs and quality of life. These are important issues, but it is vital that rural areas are allowed to develop in their own right and to experience and encourage enterprise development at their own scale.

It is not a question of developing either gateways or rural areas but of recognising that the two can and should develop in combination. It is also important to acknowledge that rural areas should not be excessively dependent on gateways for employment and incomes. The relationship needs to be one of mutual benefit, rather than dependence.

Developing rural economies

As is the case in the Western Region, Ireland's regions (outside of the gateways) are predominately **rural** – characterised by medium-sized and small market towns, villages and open countryside. In Ireland, the recent buoyancy in the economy has generally enabled rural economies to absorb the decline in the primary sectors of agriculture and fisheries, and also in industrial employment in some regions. As employment opportunities have grown, many rural areas have gained population. However, the dependence on construction and the primary sectors remains particularly strong accounting for 23% of employment in rural Ireland in 2002.

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The WDC believes that it is important that the development of rural areas is not limited to natural resource-based sectors or that commuting is not the only significant alternative for those seeking employment in other sectors. It must be recognised that rural economies provide employment and can thrive, albeit on a smaller scale, but one appropriate to their population and resources. Those living in rural areas can achieve good living standards and life quality. Furthermore, thriving rural economies make a significant contribution to national economic development and growth.

While some European support is available for rural development through the Rural Development Programme 2007-2013, this is largely targeted at farmers and cannot make the kind of impact on the rural economy that is needed. Such are the challenges that face the rural economy that its development must be a national priority and a key element of the NDP 2007-2013. Actions must be built on programmes funded from the national exchequer with robust cross-sectoral structures of implementation which have clear time-bound targets and measurable outcomes. Delivery at regional and local level must be based on a proactive approach based on networking and partnership.

Networking and partnership in rural development: the WDC approach

The WDC has developed a proactive approach to rural development to stimulate innovative and strategic development projects in organic agri-food, rural tourism and renewable energy. The WDC methodology involves working collaboratively with the private, state and community sectors. This involves bringing stakeholders together; establishing trust by facilitating the development of a shared framework and strategy for development; building a knowledge base through research and analysis; and producing a blueprint action plan for the sector, including priorities, actions and policy recommendations.

The WDC facilitates the move from plan to action through fostering effective leadership. WDC staff support a range of interests to actively participate in projects, and implement at regional level the recommendations set out in the blueprint. The WDC disengages from a 'hands on' role when the developments are taken up by the private sector and/or relevant mainstream agencies.

4. Investment Priorities for Infrastructure

The following is a summary of the WDC's main recommendations for investment in transport, energy and telecommunications infrastructure.

4.1 Transport Infrastructure

The road network

The Western Region does not have a high quality road network. This was highlighted in detail in the WDC's submission to the NDP 2000-2006.³ While much has been achieved over the period of the NDP 2000-2006, there continues to be an underspend on national roads in the BMW region. Between 2000 and the end of 2004, expenditure on national roads in the BMW region was just 70% of forecast.

³ WDC (1999), *Blueprint for Success: A Development Plan for the West 2000-2006*

While completion of the road programme under Transport 21, including the Major Inter Urban (MIU) routes, will be of major benefit to the region, it will also make the deficiencies in the road network in the region north of Galway even more apparent. At present this area has no motorways and very few roads of dual carriageway standard and current plans under Transport 21 do not appear to adequately address this issue. The fact that the gateways of Sligo and Letterkenny will be so poorly served by dual carriageway roads will increase the perception of this area as having a very poor road network and impact upon the attractiveness of the area for inward investment. Also, if the Atlantic Road Corridor is to contribute to an effective economic counterbalance to the east of the country, it needs to be of at least dual-carriageway standard for its entire length. Investment in the road network in the regions must be given greater priority in NDP 2007-2013 than in NDP 2000-2006.

The regional element of the current national roads programme mainly relates to those roads that act as strategic radial corridors linking the gateways with Dublin, specifically the five MIU routes. While there must be continuing investment to complete the MIUs, the new NDP must go far beyond this. The WDC believes that the main focus of the road investments in the NDP 2007-2013 should be on bringing roads which link gateways and hubs with Dublin (not currently classified as MIUs), and which link gateways and hubs with each other, to at least dual-carriageway standard. Such investment is an essential condition for regions outside of the GDA to achieve their potential. Enhancing road connections to international access points, such as Ireland West Airport Knock and Shannon, is also necessary if the full benefits of improved direct international air access to the region are to be realised.

The WDC proposes the following measures for the road network.

1. The MIUs including the N6 to Galway must be completed by the stated deadline of 2010.
2. The NDP 2007-2013 should provide a commitment to at least dual-carriageway status for the key radial routes of the N4 to Sligo, N5/N26 to Castlebar and Ballina, and the N2/N14 to Letterkenny. Time-bound commitments for completion of these routes within the lifetime of the NDP should also be included.
3. The new NDP must provide a commitment to dual-carriageway standard along the entire route of the Atlantic Road Corridor – N15, N17, N18. This project should have clear time-bound targets and be completed by 2012 at the latest.
4. A number of other regional roads are still in urgent need of upgrading. The N16 Sligo to Enniskillen; N61 Boyle to Athlone; N60 Roscommon to Castlebar; N63 Roscommon to Galway; and the N84/N58 Galway to Castlebar and Ballina. These are particularly important for the development of the rural economy and the more even distribution of economic development across the region. The WDC is concerned that Transport 21 does not include reference to these routes and believes that the NDP 2007-2013 should include a commitment to upgrading them.
5. Transport 21 includes reference to 'targeted improvement' of the coastal roads of the region. Again the new NDP must include clear time-bound targets for the upgrading of these coastal routes which are important for developing tourism in these areas as well as servicing the local economy.

The rail network

The role of rail transport in regional development needs to be adequately taken into account in rail investment decisions. Improved rail services should address the needs of areas beyond the GDA and the NDP 2007-2013 should contain a clear commitment to this. In particular, there needs to be a greater focus on investment in the inter-regional rail network to link regional centres.

1. The level of service, including timetabling and intercity rolling stock, on all the radial routes serving the Western Region (Sligo-Dublin; Westport/Ballina-Dublin; Galway-Dublin and Ennis-Dublin lines) should be improved.
2. The re-opening of the Western Rail Corridor from Ennis to Claremorris should be completed sooner than the proposed date of 2014. The NDP 2007-2013 should include a commitment to completion of the section to Claremorris by 2010, as well as the remaining section from Claremorris to Collooney by 2013.
3. Commuter rail services should be extended to regional centres which are experiencing significant congestion. In the first instance, those gateways and hubs which are located on the existing rail network should be targeted.

Air access

Government policy should focus on enabling existing airport capacity to work more effectively to serve regional development needs. This would entail support for enhanced capacity at existing airports where required, particularly in those regions where direct international access is insufficient.

1. Ireland West Airport Knock presents an opportunity to provide a stimulus for economic activity in its hinterland (Mayo, Sligo, Roscommon, Leitrim, Galway, Longford, south Donegal, Fermanagh) as Shannon airport has provided in the Mid-West. Ireland West Airport Knock already has the runway capacity to handle large aircraft and the NDP 2007-2013 should include a commitment to support the further expansion of the airport to fully reach its potential as a driver of regional development.
2. Route development at the international airports in the region should be supported as part of an overall strategy to promote tourism development.
3. Improvements to surface transport connections serving airports should be included as part of the NDP.

4.2 Energy

In the NDP 2000-2006, it is acknowledged that the investment in energy infrastructure and supply will not be directly controlled by the government, but that it is nonetheless essential for regional development.

Such a policy should be highlighted and expanded in the NDP 2007-2013. It is possible that there will be significant changes in energy policy proposed in the forthcoming Green Paper on Energy. Energy is a vital infrastructure, where there is failure in either the energy market or the regulatory process to ensure the development of appropriate energy through the market, there must be investment by government.

In order to meet the Western Region's needs for adequate energy supply, there should be an expansion of regional electricity generation capacity and accompanying investment in electricity transmission. In border areas there is considerable potential for cross-border integration of electricity and gas infrastructure. In addition, there needs to be an expansion of the gas network in the regions to give access to gas in major centres. This can help attract inward investment and provide energy choice for users and access to a cleaner source of energy.

1. Energy policy must be able to address the needs of less developed regions and recognition of the importance of this, the commitment to it and the mechanisms for it should be made explicit in the NDP 2007-2013.
2. Expansion of electricity generation and transmission capacity in the regions is required, especially given the potential for increased renewable generation. In particular, there is potential for the improvement of cross-border infrastructure in this area to allow increased use of the smaller interconnectors.
3. Expansion of the gas network in the regions is required to provide wider access to a choice of energy supply. There is an opportunity to fund extensions of the natural gas transmission network to all gateways under the NDP.

Renewable energy

Ireland has the second best wind resource in Europe and most of the best wind power sites in Ireland are located in the western counties. Given the overall move towards increasing renewable energy generation, wind power presents considerable potential for development in some of the least developed parts of the Western Region.

Wind generation has increased rapidly in recent years and access to the grid, which is the main barrier to future development, must be tackled if the full potential of the sector is to be realised. Community and small-scale involvement in the sector should also be promoted to ensure that the benefits of such development are more evenly distributed and make a greater contribution to development of the rural economy.

Biomass also presents significant opportunities. Ireland has the lowest use of biomass in the EU so the scope for development of bioenergy⁴ in Ireland is significant. The WDC is currently examining the potential for bioenergy development in the Western Region. Use of forestry residues for heat generation is likely to have the greatest potential for the region in the immediate future.

⁴ Bioenergy is energy which is produced from biomass. Biomass incorporates biodegradable wastes (e.g. wood industry residues, forestry residues, biogas from agriculture wastes, landfill gas and the organic component of municipal solid waste) and purpose grown energy crops (e.g. short rotation coppice, rape seed). Bioenergy can be used to produce heat, electricity and transport fuels (the three main modes of energy use).

Development of the bioenergy sector must be based on a clear policy and overall framework incorporating a vision for the sector along with explicit targets and a strategic approach. Development of the policy must involve co-ordination between the relevant government departments as well as state agencies, the private and community sectors.

1. The NDP 2007-2013 should provide seed funding to enable the establishment of an independent Renewable Energy Development Group (REDG).
2. A co-ordinated information and awareness programme on renewable energy technologies needs to be rolled out nationally and through complementary local initiatives.
3. State support or incentives should be given to encourage all those living in areas where wind farms or other renewable energy projects are being developed to invest, regardless of their tax status.
4. The public sector has significant capacity to take the lead in using bioenergy systems, particularly wood heating, and thereby act as a model of best practice. A specific programme for implementation of demonstration projects in the public sector should be supported under the NDP 2007-2013.
5. In Austria and Denmark the biomass sector has flourished through adoption of the co-operative model with the establishment of Energy Supply Companies. Support for the adoption of the co-operative model in the biomass sector in Ireland should be included in the NDP.
6. Standards and quality controls are necessary to achieve market confidence and credibility. The NDP should incorporate measures to ensure the implementation of standards applicable in Ireland, the monitoring of such standards and the promotion of awareness of standards among producers.

4.3 Broadband Infrastructure

The WDC believes that given the limited progress to date, the only realistic way of addressing the digital spatial divide is to make a strategic commitment to 100% broadband coverage (as in Northern Ireland) and then proceed to put in place the technical means to deliver it through private and public investment.

The WDC believes that broadband should be seen as a basic utility (similar to water and electricity). In this context, the amount of public monies required to achieve full rollout can be seen, in comparative terms, as quite modest. The cost of the broadband deficit, in terms of loss of regional competitiveness, the effect on location decisions of firms and on the productivity of existing firms, and the consequent negative impact on regional development, could potentially be immeasurably greater.

1. Government needs to take a leadership role by regarding broadband infrastructure as a basic utility, and by putting in place a clear national strategy for universal access to high quality, affordable broadband by end 2007. This should be set out in the NDP 2007-2013.
2. Government should put in place the technical means to deliver 100% coverage through a combination of public and private investment.
3. The WDC considers it essential to optimise the use of infrastructure in state ownership, particularly as a means of providing competitively priced backhaul for MANs and wireless networks in rural areas.
4. The national strategy should target the needs of different market segments – large businesses, SMEs, micro-businesses and domestic users. It should include both shorter-term targets for first generation broadband services and provision for migration to progressively higher bandwidths.
5. Public sector procurement practices, and the delivery of government services – including within the key health and education sectors – should also be part of the national strategy for broadband provision.
6. To address the digital and spatial divide and stimulate demand, locally based ICT initiatives which combine demonstrations, training and use of IT equipment and would encourage adoption of ICT and demand for broadband by local firms and rural businesses should be supported.

5. Investment Priorities for the Productive Sectors

The following is a summary of the WDC's main recommendations for investment in the tourism, enterprise and employment and organic agri-food sectors, as well as details of the WDC Western Investment Fund.

5.1 Tourism – Need to Reverse the Decline in Rural Regions

Ireland has experienced a trend of increasing spatial concentration of tourist numbers. Apart from Dublin, all regions have experienced a decline in overseas tourist numbers since 2000. In the Western Region the counties that have experienced the greatest declines in numbers and revenues are those that tend to have a greater reliance on rural tourism. Some of the key issues for regional tourism are: changing market trends; cost and destination competitiveness; transport access to the regions; decline in activity and special interest holidays; negligible tourism spend under the NDP 2000-2006; and a lack of focus on product development.

Targets

Support for tourism in the NDP 2007-2013 must have at its core, measures to disperse tourists to the regions. The WDC believes that achieving the objective of a more even distribution of tourism requires that all involved work to targets. There should be clear targets for visitor numbers, visitor spending and funding for each region. In turn there should be targets for the individual counties within each region to ensure that regional targets are not solely met through further growth of 'honeypots' within the region.

The performance of the sector as a whole can be measured against regional targets, and even if all the targets are not fully met, their existence would likely lead to a review of measures and tactics and appropriate adjustments in the approach to developing tourism in the regions.

Transport access

There should be a clearly defined role for the tourism development agencies in the development of national transport policies. The interests of the tourism sector should be considered in decisions taken by the Department of Transport, Department of Environment, Heritage and Local Government, and Local Authorities in this regard. Tourism development agencies and Local Authorities should play a proactive role in the programme to upgrade tourism signage recently announced by the Department of Transport.

Innovative product

The WDC considers that promoting innovative product development must be the primary responsibility of the new regional tourism structures. It is an opportune time to provide the regions with the support necessary to enable and facilitate the product development process. The level of support available for tourism marketing needs to be matched by support given to product development.

Criteria for support

The WDC considers that the NDP needs to include specific measures for the tourism sector but that the design of such measures should be completely reviewed in light of the low expenditure under the NDP 2000-2006. The tourism measures should be sufficiently flexible to adapt to the needs of the individual regions and the funding for the tourism measures should also be ring-fenced for individual regions.

Any support for rural tourism under the new Rural Development Programme 2007-2013 currently being developed by the Departments of Community, Rural and Gaeltacht Affairs, and Agriculture and Food should represent **additional support** to that provided by the tourism development agencies and should support strategic partnerships to work together to develop innovative product in rural areas.

Priorities

1. **Structures that support the delivery of innovative product:** The structures responsible for proactively developing the tourism sector should be supported through the NDP.

2. **Innovative product development:** Support should be provided to clusters of product providers in inter-county areas to deliver themed niche tourism products. Examples of themes include ecotourism, food, walking etc.
3. **Activity and special interest holidays:** Innovation in tourism ventures should be supported by stimulating entrepreneurs and communities to develop world class tourism products better suited to meeting the needs of customers visiting rural areas. Specific measures are required for the development and marketing of rural-based tourism products such as: long distance walking; ecotourism and marine ecotourism (see the Green Box p. 71); adventure and water sports tourism. There is also considerable scope for innovative traditional heritage and culture products, including Irish music, dance, sport and language.
4. **Training and information:** The NDP should support training and applied research on rural tourism by the third level sector within regions. Priority should be research on rural tourism development to determine the needs of the region or zone.

5.2 Enterprise and Employment – Fostering Dynamism in the Regions

Despite strong enterprise and employment growth over the past decade, the Western Region's share of total employment in firms assisted by the state enterprise agencies has declined in the period between 1995 and 2004. In 1995 the region accounted for 19% of total employment in such firms but this fell to 17% in 2004. The region has experienced a higher share of total national job losses over this period than job gains.

Much of the employment growth over the current decade has been driven by indigenous enterprise. The achievement of more regionally balanced development will depend upon the successful growth of enterprises within the region and this in turn will be driven by R&D, human resource development and access to finance.

Traditional manufacturing, including food and drink, textiles and engineering, is a more important employer in the region than nationally and is facing particular challenges. The future development of the traditional manufacturing sector in the region will depend upon a greater focus on innovation.

The Western Region also has some strengths in the high-tech manufacturing sector, notably in the health care industry. A number of medical devices firms are clustered in the region and they have developed a strong international reputation and spawned a supplier industry made up of both multi-national and indigenous firms. A key challenge is to sustain and build on these strengths in an increasingly competitive international environment.

There is a distinct spatial pattern in the knowledge base of the Western Region, with knowledge generation primarily concentrated in the south. The relative economic success of the south of the region (Clare and Galway) has resulted from, and in turn contributed towards, the creation of strong interlinkages between enterprises and also with the higher education sector. Meanwhile, the northern part of the region is predominantly a knowledge taker, being more rural in nature and with a higher dependence on more traditional areas of manufacturing.

Less than half of the graduates from the region find their first employment within the region and forecasts indicate that third level graduate employment is going to become even more concentrated in the Dublin/Mid-East region in the future. This represents one of the biggest challenges facing the Western Region.

There is a lower level of educational attainment among the workforce in the West overall. This is linked with the employment structure and underlines the importance of upskilling of the existing workforce.

A Knowledge Initiative

The range and complexity of the employment and enterprise challenges, particularly towards the north of the Western Region, suggest the need for a nationally-led initiative of sufficient scale and coherence to address the combined effect of: primary sector decline; dependence on traditional manufacturing industry; structural change in industry; slowdown in the construction sector; the skills base of the region; and out-migration of graduates.

Specifically, the WDC believes that there is a need for a national initiative focused on the north of the Western Region that brings together knowledge, education and skills training, ICT and networking between third level institutions. Such a Regional Knowledge Initiative could have a cross-border dimension and should be of sufficient scale and scope as to be capable of delivering tangible outputs within five years. It should be focused on addressing the knowledge, innovation, skills and applied research needs of sectors in the region in a strategic way and positioning it to attract and grow new enterprise. It would require strong leadership and commitment from national government but be operationalised by a coalition of interests at regional level along the lines of the 'regional development coalitions' proposed by NESC.

The **Regional Knowledge Initiative** proposed above should encompass the following actions and be targeted at the north of the region

1. Strengthening of the research capacity within the region's higher education institutions in those fields where research competence already exists, particularly those fields of relevance to the regional economy.
2. The role of the Institutes of Technology (IoTs) in applied research and 'education for development' should be strengthened. Funding should be flexible enough to facilitate enhancement of IoTs absorptive capacity.
3. Networking between the third level institutions and enterprises in the region should be supported. Networking is recognised as having played a role in the success of Galway city and there now needs to be active support for the development of such networking activity throughout the rest of the region and across the border. The WDC experience is that network development needs proactive focused work by dedicated executives working to a clear set of objectives for regional development.
4. Improving knowledge and innovation capacity through means other than in-house R&D i.e. through business process and non-technological innovation, should also be supported under the NDP 2007-2013. For many enterprises, in particular in the services sector, innovation will not come from technological research and this reality must be built into innovation supports.

5. A Regional Knowledge Initiative requires a targeted strategy for human resource development. This should involve a new approach to knowledge acquisition and development skills at undergraduate and post-graduate level in third level institutions. This would be aimed at ensuring that all graduates are competent in the basic skills required for enterprise or other forms of development.
6. It should also incorporate specific supports for upskilling those currently employed in vulnerable sectors. This would improve the skills base within these sectors, and thus assist them to adopt higher value activities. It would also improve the employability of those currently employed in such sectors.
7. Improving strategic management, marketing and other skills required for adapting to changing global conditions should also be a priority, particularly for SMEs in the traditional manufacturing sector.
8. The Regional Knowledge Initiative should specifically target economically vulnerable areas to provide for economic revitalisation. This would be geographic areas that have a particular reliance on declining sectors. Specifically this could involve ring-fencing a portion of budgets and developing a tailored programme of activities for identified areas based on social and economic need.

5.3 Venture Capital in the Western Region: The Western Investment Fund (WIF)⁵

The OECD has found that venture capital activity tends to be highly geographically concentrated in existing areas of economic activity and that such regional disparities tend to persist over time. Less than 6% of the total funds invested from 2000 to 2004 under Enterprise Ireland's Seed and Venture Capital Programme were invested in the West and Border areas. When market failures exist in the provision of risk capital to start-ups there is a need for some public sector intervention. It was as a response to failures within the risk capital market in the Western Region that the Western Investment Fund (WIF) was established. The WIF is operated by the WDC and became fully operational in 2001.

At present the WDC is the only Irish state agency that has received EC approval under the State and Risk Capital Communication (SARC) guidelines. This approval allows the WDC to provide equity investment for working capital purposes and to address a market failure which exists in the region. The WIF can support businesses along each stage of development and investments range from €100,000 to €1 million. The majority of projects supported to date are in the seed or early stage of development.

Since 2001, the WIF has invested €17 million in 63 projects in the Western Region and has a further €4 million committed. Indigenous knowledge-based high potential enterprises account for 60% of the WIF's investment portfolio. However the WIF supports a wider range of sectors than most venture capital funds and also includes tourism, aquaculture and social and economic infrastructure projects in its portfolio. 70% of the enterprises supported are located in rural areas outside of gateways and hubs.

⁵ The Western Investment Fund is the official title of this Fund however it is now generally referred to as the WDC Investment Fund.

Two case studies of projects supported by the WDC's WIF are presented on pages 79 and 84.

The WIF also provides loan finance to social enterprises under its Local Investment Fund and is one of only two providers of social investment funds in the Western Region.

The WDC believes that enterprise development in the Western Region has been enhanced by the operation of the WIF. The NDP 2007-2013 should continue to support the WIF to maintain the momentum that has been created in the region under NDP 2000-2006.

5.4 Organic Agri-Food Sector

While the Irish organic agri-food sector is small, the market for organic produce has shown strong growth over recent years and this is expected to continue in the medium-term. The limited response by Irish farmers to the economic opportunities in organic production is considered to be due to the substantial cost of switching to organic production systems and the relatively underdeveloped marketing structures for organic produce in Ireland.

The WDC is involved in promoting the development of this sector, and while we are aware that support for this sector will primarily be provided from resources outside of the NDP, we believe that certain supports, particularly in the area of human capital, would fall within the remit of the NDP 2007-2013.

For the sector to progress there is a need for the existing capacity and skill levels within the sector to be enhanced as well as a need to encourage new entrants. The approach to addressing the issues in the organic agri-food sector should include a ring-fenced multi-annual funding mechanism and a partnership approach to initiatives in order to optimise the use of the resources available to the sector.

1. The National Action Plan developed by the National Organic Steering Committee contains proposals to tackle the issues currently facing the sector and dedicated financial resources to implement this Action Plan should be the main priority for this sector under the NDP 2007-2013.
2. Research & Development is a key factor in development of the organic agri-food sector. The NDP should include support to increase the range and quality of R&D within the organic agri-food sector.
3. Diffusion of knowledge is required at a range of levels, from production to business development and marketing. The current programme of demonstration farms needs to be greatly strengthened and additional resources allocated. Advisory services have a key role to play in the transfer of information and practice.
4. Enhancing human capital within the sector through mentoring, training, networking, education and advice is central to future development. Skills enhancement is required in all aspects of the sector from production to business development and marketing. Support for human capital development should also include proactive assistance for co-operative development, collective production, marketing, and value-added food production.

6. Cross-Border Co-operation

Relevant cross-border issues are highlighted throughout the submission, in particular in relation to infrastructure and key productive sectors in sections 4 and 5. Emerging from this there are a number of areas where the WDC believes that the NDP can make a substantial contribution to fostering greater cross-border activity. These include the road network, air access, energy, tourism, higher education and research as well as cross-border networking.

7. Targets and Indicators

Adopting targets can help to give clarity to the NDP 2007-2013 and to the measures within it. It is useful to have both high level and specific time-bound targets against which success can be measured. Measurement of progress (using both indicators and evaluations) is important both in managing the Plan's implementation and also in allowing areas of difficulty to come to light early on.

The NDP 2007-2013 needs to have clear goals which succinctly express its overall aims and what it is trying to achieve, before focusing on the justifications and mechanisms for achieving these. These high level targets (or objectives) are, in effect, the vision of the Plan.

There is also a need for more specific targets to be incorporated into the Plan. The WDC believes that it is important to introduce a set of **regional targets** for a wide range of government departments and agencies in order to ensure a coherent way of measuring and implementing a policy of balanced regional development. It will also be necessary to strengthen the availability and use of regional indicators, and to ensure participation of regional interests in setting targets and monitoring their achievement. Time-bound targets have been found to be effective in ensuring that projects are progressed efficiently and this can be particularly important for focusing attention on regional projects.

The WDC believes that the development of **appropriate indicators** is an important element of the process of constructing the NDP 2007-2013. Indicators will not only allow the measurement of progress and success of the NDP, but the selection of indicators inevitably defines what is considered important in the policy and creates targets which will receive particular focus and effort.

The WDC would expect that specific indicators should be associated with each measure, as in the previous NDP, but it is important that these indicators are as closely related to the actual focus of the measure as possible. Where such indicators are set at too high a level it can be difficult to directly relate changes in the indicators to the specific measures.

In addition to the use of indicators for the management of the NDP, it is also important that there is regular and robust evaluation of both individual programme elements, and of horizontal issues as well as the evaluation of the achievement of higher level goals (such as balanced regional development, competitiveness etc). Such evaluation should permit change and adjustment to measures and budgets in response to identified problems e.g. shortfalls, underspends over the course of the NDP 2007-2013.

Western Development for Ireland's Future: Submission to the NDP 2007 - 2013

1. Introduction

The Western Development Commission (WDC) welcomes this opportunity to make a submission to the Department of Finance on Ireland's National Development Plan (NDP) for the period 2007-2013.

The WDC is a statutory body, under the aegis of DCRAGA,¹ whose remit is to promote, foster and encourage economic and social development in the Western Region.² The WDC works in co-operation with national, regional and local bodies involved in western development to:

- review and monitor development policy and make appropriate proposals to government departments and agencies;
- identify and implement development initiatives, or facilitate their implementation by other relevant organisations; and
- assist businesses, social enterprises and projects by managing the WDC Investment Fund amounting to €34 million of exchequer funding.³

The WDC has built up considerable expertise in regional development based on research, analysis, and practice from its initiatives in tourism, organic agri-food and renewable energy.⁴ Through this work, the WDC seeks to ensure that government policy responds to the needs of the Western Region as regards infrastructure investment, exploitation of natural resources, enterprise and rural development.

The WDC made a detailed submission to the Department of Finance during the preparation of the NDP 2000-2006 and has since produced further in-depth analysis and commentary on regional development issues,⁵ as well as being involved in various advisory bodies and steering groups that have examined issues relevant to the development of the Western Region.⁶

The WDC also recently made a submission to the Departments of CRAGA and Agriculture and Food as part of the public consultation on the Rural Development National Strategy Plan 2007-2013 to be funded under the EU Common Agricultural Policy.

¹ Department of Community, Rural and Gaeltacht Affairs.

² Counties Donegal, Sligo, Leitrim, Roscommon, Mayo, Galway and Clare.

³ For more on the operation of the WDC Investment Fund see www.wdc.ie

⁴ See: *Blueprint for Investing in the West: Promoting Foreign Direct Investment in the West* (WDC, 1999); *Blueprint for Tourism Development in the West: An Action Plan for Rural Areas* (WDC, 2000); *Blueprint for Organic Agri-Food Production in the West* (WDC, 2001); *To Catch the Wind: The Potential for Community Ownership of Wind Farms in Ireland* (WDC, 2004).

⁵ *Blueprint for Success: A Development Plan for the West 2000-2006* (WDC, 1999); *The State of the West* (WDC, 2001); *Telecommunications in the Western Region* (WDC, 2002); *Jobs for Towns* (WDC, 2003); *Enterprise & Employment in the Western Region* (WDC, 2004). These reports and other information on the Western Region are available at www.wdc.ie

⁶ Examples include *Agri-Vision 2010 and 2015 Groups*; *Information Society Commission*; *Forfás Steering Groups*; *BMW Foresight Steering Group*; *National Organic Steering Committee*.

1.1 Objectives and Vision

It is clear that significant progress has been made under the current NDP 2000-2006 with major regional investment, and important infrastructural improvements (e.g. in roads, rail and the Metropolitan Area Networks) but there have been difficulties in some sectors (e.g. tourism, R&D, transport) where expenditure was well below budget in the Border, Midland, West (BMW) region. It is also the case that the gains from the NDP 2000-2006 were spatially uneven with some parts of the country doing well, while others remain relatively untouched either by rapid economic growth or major NDP investment. One of the key challenges for the NDP 2007-2013 will be to ensure a more even spatial distribution of investment and benefits.

In this submission, our objective is to set out what we see as the key issues facing the Western Region and how they might be tackled in the context of the national objective of achieving more regionally balanced development. Our recommendations are based on our own research and analysis, and on other documentary sources. We draw particularly upon what we have learned from the WDC's 'on the ground' experience in engaging with various interests, in developing strategic regional initiatives, and in operating the WDC Investment Fund. In order to enhance and give reality to our arguments, we include **case studies** of businesses throughout the Western Region whose experiences provide practical illustrations of some of the development issues.

The Western Region, comprising the counties of Donegal, Connaught and Clare, does not correspond to other regions designated for statistical or other sectoral planning purposes. For this reason we generally refer in our data analysis to the wider NUTS II or NUTS III regions. We also recognise that while many of the development challenges facing the seven western counties are also found in other regions, factors such as the natural resource endowment, historical legacy of disadvantage and decline, lack of investment, and over a century of emigration have cumulated in a set of conditions which are particularly challenging in the Western Region.

The WDC believes that the vision for the development of Ireland for 2007-2013 should include:

- Policy commitment to balanced regional development
- Future population growth, including migration, distributed more evenly across the regions outside the Greater Dublin Area (GDA)
- Gateway cities with sufficient critical mass to serve as focal points for their regions, as envisaged in the National Spatial Strategy (NSS)
- Increasing population in small/medium-sized towns in the regions
- Increasing indigenous economic activity in small/medium-sized towns, including significant employment in the public sector and locally traded services

- Rural areas where natural resources are exploited in a sustainable manner and which are well-linked to local centres
- Major improvements in transport and communications infrastructure to facilitate such population and economic growth
- Adequate provision of social services at local level, so that location does not contribute to social exclusion
- Careful planning and management of the environment, including landscape, and of cultural and heritage resources

This document is organised in seven sections. In section 2 we present a brief overview of the main socio-economic trends in the Western Region. In section 3 we discuss the challenges that the regional scenario presents for national development and what the WDC believes should be the priorities in the NDP 2007-2013. Investment priorities for infrastructure and key productive sectors are set out in sections 4 and 5 respectively. Sections 6 and 7 contain our views on cross-border co-operation and some observations on indicators and targets.

2. Regional Scenario

In this section we provide a brief overview of the main socio-economic trends in the Western Region.

2.1 Population Growth and Projections – Uneven Spatial Character

The seven county Western Region which comprises 37% of the land mass of the state, had a population of 705,148 in 2002,⁷ an increase of 7% from 1996 (and 18% of the national population). All counties experienced population growth between 1996 and 2002 – ranging from 11% in Galway to 3% in Leitrim.

Despite overall population growth, many **rural areas** continued to experience population decline. Indeed, 45% of all Electoral Divisions in the Western Region lost population between 1996 and 2002 (see Figure A1 in the Appendix which maps the population change at ED level 1996-2002).

The CSO has projected a national population of 5 million in 2021⁸ made up of natural growth (where fertility exceeds mortality) and immigration. This is an increase of 29% on the population in 2002. Planning for such a significant growth in population needs to be central to the NDP 2007-2013. Such a significant population increase will require more than simple incremental increases in infrastructural and other investment.

The population is expected to grow throughout the state, but the GDA (Dublin and the Mid-East regions) is projected to account for 45% of the total growth, amounting to half a million. The West (NUTS III) region is projected to gain 12% of the overall increase in population. Galway city and its environs are likely to account for much of this. Population projections for each of the eight NUTS III Regional Authority areas are shown in Figure A2 in the Appendix.

2.2 Western Region Mainly Rural

The Western Region is predominantly rural, with 69% of the population living outside population centres of 1,500 persons.⁹ There are five urban centres with populations above 10,000 and a further 22 towns with populations of more than 1,500, as shown in Table A3 in the Appendix.

Four of the larger urban centres in the region are designated as gateways (Galway, Sligo, Letterkenny,¹⁰ Shannon¹¹) in the NSS; while Ennis, Tuam and Castlebar/Ballina are NSS hub towns. All of these centres were newly designated in the NSS with only Galway being identified as a gateway under the NDP 2000-2006. We will discuss the NSS in further detail in section 3.5.

⁷ CSO, *Census of Population 2002: Volume 1: Population Classified by Area*

⁸ CSO (2005), *Regional Population Projections (2006-2021)*. The CSO use various scenarios for fertility and migration. The figures referred to here are based on M1F2 scenarios, a medium fertility scenario and the higher migration scenario.

⁹ Areas outside of population centres of 1,500 or more are defined as 'rural' by the CSO.

¹⁰ A linked gateway with Derry.

¹¹ A linked gateway with Limerick.

Aside from gateways and hubs, the Western Region has a large number of small rural 'market' towns, including county towns. The economies of those beyond commuting distance from larger employment centres have a high dependence on agriculture, traditional manufacturing, local and public services.¹² Increasing the attractiveness of such towns for inward investment, private and public, will be integral to achieving the aim of more spatially balanced development.

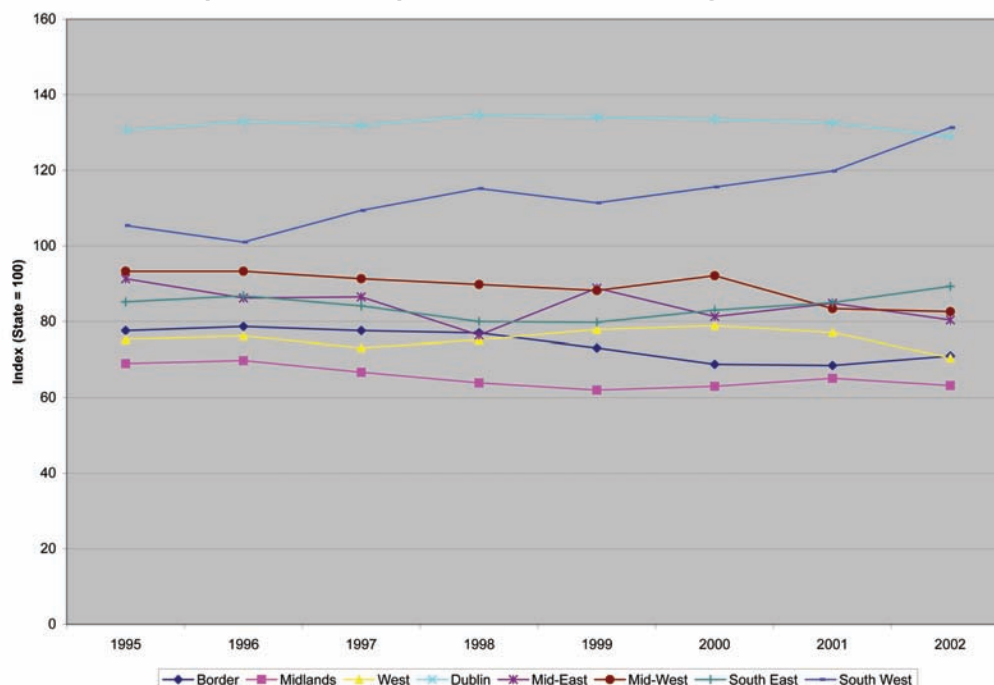
2.3 Regional Disparities Widening

2.3.1 Gross Value Added

Gross Valued Added per capita¹³ is the indicator commonly used to measure regional performance at national and EU level. **The gap in GVA per person between the BMW and S&E regions has widened in each year over the period 1996 to 2002.** By 2002¹⁴ GVA in the BMW region was 69% of the state average, down from 76% in 1996. In 2002 the BMW region accounted for 25% of the people at work in the state but only contributed 18% of the GVA.

Figure 2.1 below shows trends in indices of GVA per capita from 1995 to 2002 for NUTS III regions. There were some differences between the BMW NUTS III regions, notably a steep decline in the Border region from 1998 to 2001 with some recovery in 2002 and a period of growth in the West from 1997 to 2000, with a sharp decline after 2001, likely caused by the global downturn in the ICT industry and the major role of that sector in Galway city. However the overall trend was of a widening of disparities in a period of exceptional economic growth nationally.

Figure 2.1: Indices of Gross Value Added (GVA) per person at Basic Prices 1995-2002 (State = 100) in the NUTS III regions



Source: CSO, County Incomes and Regional GDP 2002, 23 March 2005 (Table 10)

¹² WDC (2003), *Jobs for Towns: Small and Medium-Sized Towns on Radial Routes in the Western Region*

¹³ Gross Value Added (GVA) at basic prices is a measure of the value of the goods and services produced in a region (less the materials and services used which come from outside the region) priced at the value which the producers received minus any taxes payable plus any subsidies receivable as a consequence of their production or sale.

¹⁴ Latest available at the time of this submission.

2.3.2 Disposable income

Though GVA is useful, it could be argued that disposable income¹⁵ is a better indicator of differences in living standards. By this measure, the divergence between the two NUTS II regions is slightly narrower – with the BMW region disposable income, at €15,265 in 2002, which was 92% of the state average and disposable income in the S&E of €17,116 (103% of the state average). The average disposable income in the Western Region¹⁶ was €15,165 in 2002 (91% of the state average).

However, disposable income reflects higher levels of transfers into the BMW regions. This is due to the relatively higher proportions of welfare recipients (older people, children, people with disabilities and others in receipt of assistance), which, in turn is a reflection of its structural and demographic characteristics. The greater dependence of the BMW region on transfers indicates its weaker capacity to offer sustainable incomes to those who live there, and underlines the need for strategies to address regional disparities.

2.4 Employment Trends

Numbers in employment have grown significantly over the period 2000 to 2005, with an increase of 21% in the Western Region (compared to 15% nationally). The sectoral characteristics of the distribution of employment in the Western Region are distinctive. These are examined below and are based on Table A5 in the Appendix.

2.4.1 Employment concentrated in primary sectors and construction

The agricultural, industrial and construction sectors account for a higher proportion of employment in the Western and BMW regions than nationally. Between 2000 and 2005 the primary sector accounted for a decreasing share of employment in all regions and this trend is likely to continue.¹⁷ Construction employment has shown substantial growth and now accounts for 15% of all employment in the BMW region. Taken together, **agriculture, forestry, fishing and construction account for 24% of employment in the Western Region (the same proportion as in the BMW region) compared to 17% in the S&E.**

2.4.2 Manufacturing more traditional and spatially concentrated

Manufacturing in the Western Region tends to be based more on traditional sectors, in that the food, textiles and wood sectors account for a higher share of industrial units in the region than nationally.¹⁸ However, there is considerable variation within the region, and industrial employment in many counties is particularly concentrated in one or two sectors (whether foreign or indigenous). For example, over half of all industrial jobs in Roscommon are in the food and drink sector, while a similar concentration applies in Galway in the electrical and optical equipment sector.¹⁹

While such clusters are important and allow regions to build specialist strengths, it can also lead to vulnerabilities, as has been shown by the effect of previous dependence on textiles in Donegal and the effect on GVA in the West (referred to earlier) when the ICT sector concentrated in Galway experienced a global downturn.

¹⁵ Disposable income is defined as Total income (Primary income plus social benefits plus other current transfers) minus current taxes on income (i.e. income taxes, other current taxes) minus social insurance contributions.

¹⁶ Indices of disposable income per person for the seven western counties, the BMW and S&E regions for 1995 and 2002 are shown in Figure A4 in the Appendix.

¹⁷ FAS/ ESRI Manpower Forecasting Studies, (2004) Occupational Employment Forecasts by Region for 2010

¹⁸ CSO, Census of Industrial Production 2000

¹⁹ WDC (2004), Enterprise and Employment in the Western Region

2.4.3 Lower share of services employment, especially financial and business

Nationally, services have shown the greatest growth and productivity gains in recent years and this trend is expected to continue. The Western Region has a lower proportion employed in the services sector, 55% compared with 62% in the S&E. A notable example is the lower share in the financial and other business activities sector in the Western Region (9%) compared with the S&E (15%). This sector is predicted to have one of the strongest employment growth rates nationally in the coming years.²⁰

2.4.4 Larger share of employment in indigenous firms

Considering employment in manufacturing and internationally traded services together (those that have received assistance from a state agency), Forfás data show that the BMW experienced a cumulative net loss of employment in foreign-owned firms over the 1998-2004 period (see Figure A7 in the Appendix). In contrast there was a net gain of 21,140 in the S&E (over half of this going to Dublin). In the indigenous sector, both the BMW and S&E experienced net gains over the same period. In fact in 2004 the **BMW accounted for 28% of national employment in Irish-owned firms compared with only 20% of employment in foreign-owned firms.**²¹

2.4.5 Public sector employment important for smaller centres

Public sector jobs are an important element of services employment. Public administration, education and health combined account for about 21% of employment in both the BMW and S&E (Table A5 in the Appendix). Public sector employment can play a particularly important role in small and medium-sized towns. Decentralisation is, in effect, a form of inward investment in the services sector in the regions. Indeed, the stable nature of the jobs provides longer term security than is the case with many foreign direct investments. Therefore, the planned programme of decentralisation of public sector employment could provide a significant boost to the local economies of such towns, particularly those beyond gateways and hubs.²²

Indeed evidence suggests that dispersal of the public sector can contribute simultaneously to national economic growth, and to reducing differences in growth rates between regions.²³ Under the planned decentralisation programme, 1,925 jobs will be relocated to the seven western counties. There will be relocations to 14 locations across the Western Region (see Table A8 in the Appendix) and such public inward investment could have a major impact upon the local economies of these centres, particularly in relation to demand for local services.

²⁰ A predicted average annual growth rate of 3.9% nationally. *Occupational Employment Forecasts by Region for 2010*

²¹ Forfás (2004), *Annual Employment Survey 2004*

²² WDC (2003), *Jobs for Towns: Small and Medium-Sized Towns on Radial Routes in the Western Region*

²³ Marshall et al (2005), *Relocation, Relocation, Relocation: Assessing the Case for Public Sector Dispersal*, in, *Regional Studies* Vol. 39, Issue 6, August 2005 (p. 785)

2.5 Education – High Attainment but Lost to the Region

Generally children raised in the Western Region have relatively high levels of educational attainment. Indeed the three counties with the highest Leaving Certificate completion rates in the country are Leitrim, Roscommon and Mayo.²⁴ The BMW as a whole had a higher retention rate (81%) than that in the S&E region (77%).

This pattern of high levels of Leaving Certificate completion is echoed in third level admission rates. Six of the western counties are included in the top ten for admission rates to higher education, including to colleges in Northern Ireland.²⁵ Indeed Sligo and Galway had the two highest admission rates in the country at 72% and 68% respectively.

However, limited employment opportunities mean that most new graduates gain employment outside the region. The East region is the first employment destination of more than 40% of all graduates (at all levels) and more than 60% of both Masters and PhD graduates. This reflects the concentration of higher skilled enterprises and functions in the GDA. The West (Galway and Mayo) performs relatively well in terms of attracting those with higher qualifications, while the North West (Donegal, Sligo, Leitrim) attracts a very low share of degree and higher graduates. Figure A9 in the Appendix shows the region of first employment of those who graduated in 2002.

Apart from those from Galway, a higher share of graduates from the seven western counties find their first employment in Dublin than in their home county (Table A10 in the Appendix). This is particularly striking in the case of Roscommon and Leitrim where fewer than 10% of graduates found their first employment in their own county. On average 40% of graduates from the Western Region found their first job in Dublin.

Although the Western Region has a high level of Leaving Certificate and third level completion, the employment profile and the loss of highly educated young people from the Western Region are reflected in the general educational profile of the region's workforce. The Western Region has a higher share of individuals with low educational attainment, which is linked to its older age profile and the proportion employed in primary sectors. It also has a lower proportion of third level graduates than the S&E, 22% compared with 26%.²⁶

Future employment growth projections identify the services sector, in particular higher skilled services, as the main area of potential for high growth. As most graduates now leave the Western Region, the retention and attraction of skilled staff is a key challenge.

²⁴ Department of Education and Science (2005), *Retention Rates of Pupils in Second-Level Schools: 1996 Cohort*

²⁵ HEA (2006), *A Review of Higher Education Participation in 2004*. The county admission rate is calculated by dividing the number of new entrants (CAO and non CAO) with a permanent address in a county, by the average number of 17-19 year olds from a county (i.e. the number of 17, 18 and 19 year olds divided by three).

²⁶ CSO, *Census of Population 2002, Volume 7*

2.6 Infrastructure – A Continuing Constraint

Economic and social infrastructure is a key enabler of regional development. The infrastructure deficit facing the Western Region, and indeed the wider BMW, was acknowledged in the NDP 2000-2006 and provided for in operational programmes. It was recognised that, as a result of decades of under-investment, weaknesses in road, rail, air, energy and broadband infrastructure were inhibiting growth. Although there have been significant improvements over the past few years, the region continues to suffer from major infrastructural gaps and the commitments in the NDP 2000-2006 have not been fully met. For example, from 2000 to 2004, spending on national roads in the BMW region was only 70% of what was forecast and spending on public transport was even lower at just 55% of forecast.²⁷ While it is likely that by the end of 2006, the gap in road expenditure between the BMW and S&E regions will have narrowed somewhat, infrastructure weaknesses in transport, communications and energy remain a major constraint on development in the Western Region.

2.7 Social Exclusion

Social exclusion, including the incidence and risk of poverty, is in part associated with rurality and population decline. Recent analyses of poverty and deprivation in Ireland have demonstrated their spatial character and shown that the relative position of the most disadvantaged areas has not improved much since 1991.²⁸ The incidence and risk of poverty and deprivation is highest in the west and north western counties. All counties in the Western Region have a poverty level above the national average, the only exception being Galway city.²⁹ **Donegal, Mayo and Leitrim are the three counties in the state where individuals are most likely to experience poverty and they are also among the most rural counties.**³⁰

Having reviewed the key trends that impact on regional development, we now turn to the challenges that these pose for achieving more regionally balanced development.

²⁷ Department of Transport (2005), *Economic and Social Infrastructure Operational Programme: Progress Report on Programme Implementation to end December 2004*

²⁸ See Haase, T and Pratsche, J (2005) *Deprivation and its Spatial Articulation in the Republic of Ireland*, ADM, Dublin.

²⁹ CPA (2005), *Mapping Poverty: National, Regional and County Patterns*

³⁰ Based on a rurality index of the percentage of a county's population living in EDs with a population less than 1,500, Leitrim, Donegal and Mayo are among the top six most rural counties. Fitzpatrick Associates (2004), *Review of Enterprise Support in Rural Areas*, Department of Community, Rural and Gaeltacht Affairs (p. 33)

3. National Priorities and Balanced Regional Development

The national policy objective of balanced regional development as set out in the NDP 2000-2006 and the NSS underpins the work of the WDC. Although expenditure under the NDP 2000-2006 made a significant impact on infrastructure, and on the productive sectors in the regions, disparities between regions have widened. While we recognise that without the public investments of the past six years, the gap might be wider, we believe that one of the **primary objectives of the NDP 2007-2013 must be to bring about more regionally balanced development.**

Now that Ireland has achieved almost full employment and that the future economic outlook is generally positive, we have an opportunity to commit to real progress on regional development and social inclusion and to take advantage of the opportunities for development that are available.

In this section, we discuss some of the key challenges that the NDP 2007-2013 must address in order to bring about more regionally balanced development.

We argue that:

- given the population and employment patterns and the competitiveness challenge currently facing Ireland, more balanced development will ensure a strong economic performance nationally, lessen the pressure on Dublin, achieve greater social inclusion and deliver a more sustainable population balance;
- the NSS provides the framework for regional development, but that a purely gateway-led approach is too limited;
- rural areas face unprecedented challenges, as farming declines in importance and manufacturing industry restructures, so that there is a need for a national strategy to respond to these challenges;
- delivery of rural development 'on the ground' needs proactive intervention based on collaboration and partnership. The WDC experience of using this approach is briefly described.

3.1 Challenges for Balanced Regional Development

3.1.1 Population growth and its impact

The population projections for 2021 pose a major national challenge, as they are based on growth patterns that have become established over the past decade. The GDA is already experiencing considerable problems associated with recent population settlement patterns e.g. congestion, pressure on infrastructure and services, unsustainable commuting patterns, and associated poor quality of life. An increase of half a million in the population of the GDA will intensify existing pressures and problems. **More balanced population growth will benefit Dublin as well as the regions.**

Much of the projected increase in the West is likely to be concentrated around Galway city and other urban centres in line with recent trends. Rural areas and smaller towns in the Western Region will continue to experience population loss unless there is a concerted effort to stimulate and maintain rural economies in the ways suggested in later sections. Further population losses from such areas will have a negative impact on social exclusion.

3.1.2 Widening regional disparities

The reason for the widening gap between the BMW and S&E regions is clear – the BMW regions are producing a declining share of national output. This is related to structural weaknesses in the economy including a higher proportion of employment in the primary sectors and an older industrial structure more reliant on traditional manufacturing industries. Decline in employment in traditional industry and in the primary sectors is predicted to continue and success in attracting foreign direct investment in recent years has been limited. The IDA's target of securing 50% of new 'greenfield' jobs for the BMW region, set in 1999, has never been achieved.

Much of the employment growth in the regions in recent years has come from the construction industry, so that the proportions employed in this sector are now quite substantial. The long-term sustainability of this level of employment in construction is open to question. We return to this point below.

3.1.3 Ensuring Ireland's competitiveness

Competitiveness is now regarded as the key to survival and growth in a globalised world – at national, regional and firm level. The existence of wide disparities between regions is not conducive to national or regional competitiveness. **The impact of rapid growth and congestion on competitiveness can best be tackled by positioning the regions to catch up.** Strategies for regional development should be based on a sophisticated view of competitiveness and spatial distribution of economic activity, which builds on existing strengths and resource endowments and recognises the importance of human, social and cultural capital. Experiences in other countries suggest that strong regions can be sources of competitive advantage and that this is related to the strength of networks, a shared vision and supportive institutional arrangements. Unless regions are enabled to compete, the GDA will continue to grow at their expense and this will impact negatively on competitiveness.

3.2 Quality Infrastructure Must Underpin Competitiveness and Growth

The key role of infrastructure in promoting regional development is stressed in the NDP 2000-2006, the NSS and the Enterprise Strategy Group's (ESG) Report among others. The ESG Report states very clearly

Weak infrastructure in the regions presents a barrier to their economic development. The key mechanism for enabling regional development is to enhance their infrastructure. Regions will attract enterprise only if they have the infrastructure and facilities that allow them to compete with Dublin and international regions for trade and investment.³¹

³¹ Enterprise Strategy Group (2004), *Ahead of the Curve: Ireland's Place in the Global Economy* (p. 98)

Quality transport access to and within the Western Region via strategic radial corridors, linking corridors and international access points; broadband connectivity; and the availability of a reliable energy supply are vital for regional growth. Better infrastructure can have a major impact on social exclusion, particularly in remoter rural areas. While undoubted progress has been made under the NDP 2000-2006, there are still major deficits in the Western Region. We make specific proposals in relation to infrastructure in sections 4.1, 4.2 and 4.3.

3.3 Building the Knowledge Economy and Growing Indigenous Enterprises

Positioning Ireland as a 'knowledge-based economy' requires a high level of economic activity based on knowledge as a factor of production in itself, or incorporated into production through capital investment. Knowledge-based activity can be relatively independent of location, provided there is adequate capacity to move information and people. Many of the large multi-national knowledge-based companies in Ireland are successfully trading globally from the regions e.g. MBNA in Carrick on Shannon, Pramerica in Letterkenny. However, knowledge industries can be footloose as it is relatively easy for them to relocate when conditions change.³²

The mobility of foreign-owned knowledge-based enterprises underlines the need to support **indigenous firms** who are more likely to set up in the regions, because of the residential location or preference of the entrepreneur (provided the facilities at specific sites meet their needs). There are growing numbers of Irish-owned high-tech firms that produce and utilise sophisticated information and communications technology (ICT) and employ highly skilled and creative workers. **Indigenous Irish firms are important to the future of Ireland's knowledge economy and they should be encouraged and facilitated to locate in regional locations** (see Torc Interactive and eTeams International p. 79 and 61).

Also in the regions, indigenous Irish firms in more traditional manufacturing sectors are becoming more innovative, globally competitive and growing their export markets. Their preference for regional locations may be related the entrepreneur's residence, to workforce availability and loyalty, or to a lower cost base (see JFC Manufacturing p 57). It is important to recognise the contribution of Irish-owned manufacturing firms to local economies in regional locations. It is also necessary to address the skills needs of such firms.

3.4 Social Cohesion

The incidence and risk of poverty is not caused by location but is associated with multiple deprivation factors and the age structure of the population in the regions, particularly the west and north west. Migration from lagging regions impacts on the viability of local services, and residual populations in rural areas have a higher risk of social exclusion. Deprivation is less visible and more difficult to identify and address in rural areas. Tackling regional disparities is essential to achieving a more socially inclusive Ireland.

³² These issues are discussed in more detail in section 5.2.

Achievement of social cohesion means that citizens should not be disadvantaged by location but should have opportunities for employment and good quality of life wherever they live. The challenge for regional policy is to create the conditions by which regions are attractive as locations for businesses and places of residence. This means that public policy needs to pay attention to a much wider range of factors than traditional narrow economic growth models. In prosperous societies quality of life considerations play an increasingly important role in location decisions.

3.5 The National Spatial Strategy and Balanced Regional Development

The WDC believes that the NSS provides a coherent and robust framework through which investment under the NDP 2007-2013 can contribute to regionally balanced development. This will require new mechanisms through which the objectives of the NSS can be included in the decision-making process at the various strategic and operational levels in the system. It will also require mechanisms for the delivery of the NSS vision at the local level.

3.5.1 Importance of gateways

The importance of gateways as major drivers of economic growth and a focus for infrastructural provision, for access and as major service centres was underlined in the recent Gateways Investment Priorities Study.³³ They are also key points for the provision of soft infrastructure (e.g. third level education, tertiary health care) which are vital for regional quality of life and social and economic development. **Thus, the development of gateways is fundamental to regional development.**

However a concentration on gateways, while necessary, is not sufficient. Gateway towns (because of their attractiveness to the private sector, and because they are a focus for public investment) may develop rapidly. But unless a commensurate emphasis on the development of linkages and infrastructure is included in the NDP 2007-2013, hub towns, smaller centres and rural areas may not be in a position to benefit from the development of gateways.

3.5.2 Beyond gateways

The NSS emphasises the functional relationships between different spatial units – from cities to households³⁴ and notes that the strong spatially balanced urban structure outlined in relation to gateways and hubs must also be matched by specific strategies for rural areas and strengthened rural communities. But it is important to recognise that while gateways are important drivers of regional development, they are not the only ones. In the West region, for example, there is much emphasis on Galway as a driver for development. Yet Galway is experiencing considerable problems of congestion and pressure on infrastructure and services³⁵ while the benefits of its vitality are not felt in areas of the West distant from Galway city, or even in other parts of the county.

The NSS also stresses the potential of smaller towns and villages, though it suggests that many of their strengths lie in their capacity to accommodate employment, residential and other functions on the basis of their lower costs and quality of life. These are important issues but **it is vital that rural areas are allowed to develop in their own right and to experience and encourage enterprise development at their own scale.**

³³ Department of Environment, Heritage and Local Government (2005), *Implementing the NSS: Gateways Investment Priorities Study*

³⁴ *The National Spatial Strategy 2002-2020*, see Figure 5.1 p. 113 for example.

³⁵ *Implementing the NSS: Gateways Investment Priorities Study* (2005)

The fact that some rural areas are particularly remote or with structural disadvantages that require strategic targeted measures to support rural population growth is acknowledged in the NSS. Targeted measures for these areas, specific to local circumstances, should be included in the NDP in order to implement the whole NSS approach.³⁶

It is not a question of developing either gateways or rural areas but of recognising that the two can and should develop in combination. It is also important to acknowledge that rural areas should not be excessively dependent on gateways for employment and incomes. The provision of major infrastructure in gateways can provide a whole region with quality infrastructure, while a thriving rural economy can provide quality of life, recreational and other benefits. The relationship needs to be one of mutual benefit, rather than dependence.

3.6 Developing Rural Economies

Ireland's regions are predominately **rural** – characterised by medium-sized and small market towns, villages and open countryside.³⁷ One of the most fundamental challenges facing rural economies is the impact of restructuring in agriculture and traditional industry and the associated need for diversification and growth in the non-farm rural economy. The recent buoyancy in the economy has generally enabled rural economies to absorb the decline in the primary sectors of agriculture and fisheries, and also in industrial employment in some regions. But the dependence on construction in rural regions is particularly strong with 11% of rural residents employed in construction compared to 7% in non-rural areas. Taken together, the **primary sectors and construction accounted for 23% of employment in rural Ireland** in 2002.

Manufacturing employment, which is predicted to decline in coming years, is also notably more important in rural areas – 12% of employment in non-rural areas compared with 17% in rural (see Figure A6 in the Appendix).³⁸

Trends in population growth and the WDC's experience with the WDC Investment Fund and the Look West initiative³⁹ indicate that individuals and businesses are willing to relocate to rural areas and contribute to the rural economy. The extent to which this can and will happen is related to job opportunities, business prospects and quality of life.

Several recent studies⁴⁰ recommended the urgent need to position rural regions to compete effectively for inward investment and to address the industry and enterprise structure in them. This can be achieved through supporting innovation in indigenous industry (both high-tech and traditional) and encouraging business start-ups in rural regions to enable them to contribute to the knowledge economy. Sectors based on natural resources such as tourism, agri-food and the marine need to be the focus of creative and innovative strategies. Growth in inward investment and public sector employment can underpin demand for locally traded services and lessen the impact of industrial closures.

³⁶ *The Rural Social Scheme and the Community Services Programmes are important in this context.*

³⁷ *45% of the population live outside of gateways and hubs, and just 11% of the working population in these areas are employed in agriculture. Derived from the Census of Population 2002 in Fitzpatrick Associates (2004), Review of Enterprise Support in Rural Areas, Department of Community, Rural and Gaeltacht Affairs*

³⁸ *Fitzpatrick Associates (2004), Review of Enterprise Support in Rural Areas (based on data from Census of Population 2002).*

³⁹ *The WDC's Look West initiative aims to promote the Western Region as an attractive location to live, work and do business, see www.lookwest.ie*

⁴⁰ *Enterprise Strategy Group (2004), Ahead of the Curve: Ireland's Place in the Global Economy; National Economic and Social Council (2005), NESG Strategy 2006: People, Productivity and Purpose; NUI Maynooth, UCD and Teagasc (2005), Rural Ireland 2025: Foresight Perspectives*

The WDC believes that it is **important that the development of rural areas is not limited to natural resource-based sectors or that commuting is not the only significant alternative for those seeking employment in other sectors.** It must be recognised that rural economies provide employment and can thrive, albeit on a smaller scale, but one appropriate to their population and resources. Those living in rural areas can achieve good living standards and life quality. Furthermore, thriving rural economies make a significant contribution to national economic development and growth.

While some European support is available for rural development through the Rural Development Programme 2007-2013, this is largely targeted at farmers and cannot make the kind of impact on the rural economy that is needed. **Such are the challenges that face the rural economy that its development must be a national priority and a key element of the NDP 2007-2013. Actions must be built on programmes funded from the national exchequer with robust cross-sectoral structures of implementation with clear time-bound targets and measurable outcomes. Delivery at regional and local level must be based on a proactive approach based on networking and partnership.**

3.7 Networking and Partnership in Rural Development: The WDC Approach

The importance of networking through partnership structures involving key stakeholders working to a common strategic agenda has been advocated in many recent reports.⁴¹ The WDC, in working in a predominantly rural region, has developed a proactive approach to rural development to stimulate initiatives in the organic agri-food, rural tourism and renewable energy sectors.⁴² The WDC methodology involves working collaboratively with the private, state and community sectors to facilitate and implement innovative and strategic development projects.

In practice, this involves the WDC in bringing stakeholders together; establishing trust by facilitating the development of a shared framework and strategy for development; building a knowledge base through research and analysis; and producing a blueprint action plan for the sector, including priorities, actions and policy recommendations. The 'buy-in' from the stakeholders during these stages ensures that when a blueprint is published, those involved are already committed to the actions.

The WDC facilitates the move from plan to action through fostering effective leadership and supporting those involved to actively participate in projects to implement the recommendations set out in the blueprint. It identifies a suitable stage in the development process in which to disengage from the more 'hands on' support to a more supportive role. This is usually when the developments are taken up by the private sector and/or relevant mainstream agencies. The WDC also tries to ensure that the blueprint recommendations are taken into account in the preparation, development and ongoing implementation of national policy.

⁴¹ *NESC Strategy 2006; National Economic and Social Forum (2006), Creating a More Inclusive Labour Market, Report 33; Enterprise Strategy Group (2004), Ahead of the Curve; National Competitiveness Council (2005), The Competitiveness Challenge 2005; Border, Midland, West Regional Assembly (2005), New Challenges, New Opportunities: Report of the Border, Midland and Western Regional Foresight exercise 2005-2025.*

⁴² *This approach has recently been documented in The Western Development Commission's Model of Rural Development: A guide to implementing a proactive and participatory model of rural development, to be published in May 2006.*

The WDC has implemented this approach across a number of sectors in the Western Region – organic agri-food, rural tourism and renewable energy. These are discussed in detail, along with specific recommendations for support under the NDP, in sections 5.4, 5.1 and 4.2.2 respectively.

Having set out what we consider to be the rationale for why greater focus on regional balance in the NDP 2007-2013 will deliver on Ireland's national goals, we turn to the WDC's views on investment priorities for infrastructure and the productive sectors. Our comments do not cover every sector but are confined to those areas where the WDC has built up some expertise and experience since its establishment.

4. Investment Priorities for Infrastructure

In this section we set out the WDC's recommendations for investment in key infrastructure areas – transport, energy and telecommunications. We use a consistent format, in this and the following section, by setting out the importance of the sector, the key issues and how they should be addressed in the NDP 2007-2013.

The section is organised under the following headings:

- Transport Infrastructure – road, rail and air
- Energy – energy infrastructure and renewable energy
- Broadband Infrastructure

Case studies are included to illustrate both the types of enterprises operating in the region and the challenges that infrastructure deficits pose for their business activities.

4.1 Transport Infrastructure

In this section we will present our arguments in relation to what measures should be included in the NDP 2007-2013 to improve the transport infrastructure servicing the region. We will consider measures under road, rail and air access.

4.1.1 The Road Network

4.1.1.1 Why is the road network important?

The majority of internal transport within Ireland, both private and business, is conducted via the road network. In 2004 the number of vehicles on Irish roads exceeded two million for the first time.⁴³ Road transport is even more important in rural regions where there is more limited access to public transport. For example 66% of those at work in the Western Region travel to work in a car compared with 62% nationally.⁴⁴ **The quality of the road network within the region will be a major determinant in its future economic development.**

It is for this reason that the WDC promotes increased investment in the West's road network.

4.1.1.2 What are the current issues with the road network?

The Western Region does not have a high quality road network. This was highlighted in detail in the WDC's submission to the NDP 2000-2006.⁴⁵ While much has been achieved over the period of the current NDP, there continues to be an underspend on national roads in the BMW region. Between 2000 and the end of 2004, expenditure on national roads in the BMW region was just 70% of forecast.⁴⁶ The continuing problem of poor road quality is highlighted in a number of the case studies below.

Transport 21 has set out a 10-year plan for capital investment in national roads and public transport. At its announcement the Minister for Finance noted that the NDP 2007-2013 would take Transport 21 on board and would set out the investment programme in more detail.⁴⁷

While completion of the road programme under Transport 21, including the Major Inter Urban (MIU) routes,⁴⁸ will be of major benefit to the region, it will make the deficiencies in the road network in the region north of Galway even more apparent. At present this area has no motorways and very few roads of dual carriageway standard. Current plans under Transport 21 do not appear to adequately address this issue. **The fact that the gateways of Sligo and Letterkenny will be so poorly served by dual carriageway roads will increase the perception of this area as having a very poor road network and impact upon the attractiveness of the area for inward investment.** Also, if the Atlantic Road Corridor is to contribute to an effective economic counterbalance to the east of the country it needs to be of at least dual carriageway standard for its entire length.

⁴³ SEI (2006), *Energy in Ireland 1990-2004: Trends, issues, forecasts and indicators*

⁴⁴ CSO, *Census of Population 2002, Volume 9 Table 9A. These figures relate to those who drive and also those who travel as passengers.*

⁴⁵ WDC (1999), *Blueprint for Success: A Development Plan for the West 2000-2006*

⁴⁶ Department of Transport (2005), *Economic and Social Infrastructure Operational Programme: Progress Report on Programme Implementation to end December 2004*

⁴⁷ Address of Minister for Finance, Mr Brian Cowen, TD, at Launch of Transport 21, 1 November 2005

⁴⁸ The routes linking Dublin with Waterford, Cork, Limerick, Galway and Belfast.

4.1.1.3 How can the current issues be addressed?

Investment in the road network in the regions must be given greater priority in NDP 2007-2013 than in NDP 2000-2006. The regional element of the current national roads programme mainly relates to those roads that act as strategic radial corridors linking the gateways with Dublin, specifically the five MIU routes. A number of key radial routes which link regional centres with Dublin are not currently designated as MIUs. Transport 21 commits to 'upgrading' of these routes but no specific details or timelines are provided. In fact it is implied that these projects will not be undertaken until after the completion of the MIUs in 2010. There are a number of projects along these routes that are currently in the planning stage.

While there must be continuing investment to complete the MIUs, the new NDP must go far beyond this. **The WDC believes that the main focus of the road investments in the NDP 2007-2013 should be on bringing roads which link gateways and hubs with Dublin (not currently classified as MIUs), and which link gateways and hubs with each other, to at least dual-carriageway standard.** The **Atlantic Road Corridor** linking Waterford with Letterkenny via Cork, Limerick, Galway and Sligo, announced in Transport 21, is one of the most important and fundamental projects for achieving an effective counterbalance to the GDA as set out in the NSS.

The Atlantic Road Corridor is not the only strategic inter-regional road in the Western Region. A number of **other regional roads**, highlighted in the WDC's submission to the NDP 2000-2006, have not seen much improvement since and are in urgent need of upgrading. These are particularly important for the development of the rural economy and the more even distribution of economic development across the region. The WDC is concerned that Transport 21 does not include reference to these routes and believes that the NDP 2007-2013 should include a commitment to upgrading the key routes set out in point 4 below, including an investigation of the possibility of dual-carriageway standard.

Enhancing road connections to international access points is necessary if the full benefits of improved direct international air access to the region are to be realised. Ireland West Airport Knock is served by part of the Atlantic Road Corridor and the N5 radial route. Improvements to these routes will extend the catchment area for this airport. Likewise improvements to the N18 route (also on the Atlantic Road Corridor) will improve access to Shannon airport.

4.1.1.4 Proposed measures for the road network

1. The MIUs including the **N6 to Galway** should be completed by the stated deadline of 2010.
2. The NDP 2007-2013 should provide a commitment to at least dual-carriageway status for the following roads and should include time-bound commitments for completion within the lifetime of the NDP. The routes and selected projects are:
 - **N4 to the gateway of Sligo:** Carrick on Shannon bypass; Cloonmahon-Castlebaldwin; Longford-Drumsna
 - **N5/ N26 to the hubs of Castlebar and Ballina:** Ballaghaderreen bypass; Strokestown bypass; Westport-Castlebar; Ballina-Bohola Phase II
 - **N2/N14 to the gateway of Letterkenny** (via the A5 through Northern Ireland): Ardee bypass; Slane bypass; N13 Junction-Lifford.

The Frenchpark to Tulsk section of the N5 (incorporating Rathcroghan) is in urgent need of upgrading. However, this area is of particular archaeological significance and little progress has been made on plans for this section. Every effort should be made to find an appropriate resolution to this problem and in the meantime alternative routes in the area such as the N60 (see below) and the R370 between French park and Carrick on Shannon and the N61/R368 between Bellanagare and Carrick on Shannon (linking the N5 and N4) should be upgraded as a matter of urgency.

3. At present there are a number of projects underway on the Atlantic Road Corridor such as the Bundoran/Ballyshannon bypass and the Ennis bypass. There are also a considerable number of projects along the route that are at various stages of planning.

- **N15 linking the gateways of Letterkenny and Sligo:** the Ballybofey-Stranorlar bypass; Sligo-Bundoran
- **N17 linking the gateways of Sligo and Galway via the hub of Tuam:** Collooney-Charlestown; Mayo county boundary-Milltown bypass; Tuam bypass; Galway-Tuam
- **N18 linking the gateways of Galway and Limerick via the hub of Ennis:** Oranmore-Gort; Gort-Crusheen projects.

The new NDP must provide a commitment to dual-carriageway standard along the entire route as well as clear time-bound targets. The entire Atlantic Road Corridor project should be completed by 2012 at the latest.

4. The following regional roads, discussed above, are also important strategic routes and should also be upgraded as part of the road investment programme.

- **N16 linking Sligo with Enniskillen:** Manorhamilton bypass; Manorhamilton-Glenfarne
- **N61 linking Boyle with Roscommon and Athlone**
- **N60 linking Roscommon with Castlebar**
- **N63 linking Roscommon with Galway**
- **N84/N58 linking Galway with Castlebar and Ballina.**

5. Transport 21 includes reference to 'targeted improvement' of the **coastal roads** of the region. These routes in the Western Region are

- **N56 coastal Donegal route** which includes linking the port of Killybegs
- **N59 coastal route linking Sligo with Galway via Ballina, Westport and Clifden**
- **N67/N68 coastal Clare route.**

The NDP should include clear time-bound targets for the upgrading of these coastal routes which are important for developing tourism in these areas as well as servicing the local economy.

4.1.2 The Rail Network

4.1.2.1 Why is the rail network important?

Rail passenger numbers are increasing and there is evidence that there will be continued growth. In 2003, 35.6 million rail journeys were made in Ireland and this is predicted to increase to 44 million by 2009.⁴⁹ Increased rail travel as a mode of transport is a policy objective at both national and EU level.⁵⁰ Rail travel is superior to road travel in the context of both environmental sustainability and relative safety. Its relative importance as an element of the public transport network is increasing, as many parts of the road network are subject to severe congestion and capacity constraints. The NSS recommended that rail continues to offer realistic alternatives to road travel on the key inter-city routes.⁵¹

Because of the potential that exists for improved rail services to promote the sustainable development of the Western Region, the WDC has been involved in highlighting the importance of rail transport. This has included bringing interested parties together at a seminar on the Strategic Rail Review in 2003, participating on the Expert Working Group on the Western Rail Corridor, and co-hosting a conference on the Western Rail Corridor in 2005 where the report of the Working Group was presented.

4.1.2.2 What are the current issues with the rail network?

Ireland has an extensive rail network which up to relatively recently was in decline. The NDP 2000-2006 committed to a significant investment programme for safety, signalling and track improvements along with commitments to new rolling stock on most of the network. While much of this programme has now been completed, investment on rail transport to date has been concentrated on the radial routes emanating from Dublin.

Improved services to and from Dublin support access to Dublin and facilitate its further development. However, as with the road network, centres outside of the GDA need improved connectivity to each other, in order to promote stronger linkages, develop critical mass and become a counterbalance to the increased congestion evident in parts of the transport network in the east. For example, a fully opened Western Rail Corridor (WRC), from Sligo to Limerick, would open up 14 additional smaller and medium-sized towns to this north-south transport corridor, as well as linking with Ireland West Airport Knock, thus creating the potential for this part of the region to compete for jobs and attract enterprises. Also, where investments in commuter rail services have been made, notably in Cork and the link between Ennis and Limerick, they have proved very successful.

While Transport 21 has signalled a major rebalancing of public investment towards public transport, and in particular rail, the vast bulk of the rail investment included is earmarked for the GDA.

⁴⁹ *Iarnród Éireann: Moving into the Future*

⁵⁰ *EU White Paper, European Transport Policy for 2010 – Time to Decide*

⁵¹ *Department of the Environment and Local Government (2002), The National Spatial Strategy 2002-2020: People, Places and Potential (p. 62)*

4.1.2.3 How can the current issues be addressed?

The role of rail transport in regional development needs to be adequately taken into account in rail investment decisions. Improved rail services need to address the needs of areas beyond the GDA and the NDP 2007-2013 should contain a clear commitment to this. In particular, there should be a greater focus on investment in the inter-regional rail network to link regional centres.

4.1.2.4 Proposed measures for the rail network

1. **The level of service, timetabling and intercity rolling stock, on all the radial routes serving the Western Region (Sligo-Dublin; Westport/Ballina-Dublin; Galway-Dublin and Ennis-Dublin lines) should be improved.** New rolling stock is on order and the frequency of service on all routes is due to increase by 2008. However, these planned improvements should not be seen as completing the upgrading of the rail services to the west and further commitments to improved service should be included in the NDP 2007-2013.
2. The re-opening of the WRC from Ennis to Claremorris should be completed sooner than the proposed date of 2014. As the land is in public ownership, there are no planning issues involved and costs are limited to track and signalling renewal and the provision of rolling stock, this project can be completed in a relatively short period of time. The cost of re-opening the section to Claremorris, at €168 million,⁵² is less than the shortfall in the public transport expenditure in the BMW region under NDP 2000-2006. **The NDP 2007-2013 should include a commitment to completion of the section to Claremorris by 2010, as well as the remaining section from Claremorris to Collooney by 2013.**
3. **Commuter rail services should be extended to regional centres which are experiencing significant congestion.** In the first instance, those gateways and hubs which are located on the existing rail network should be targeted. Transport 21 contains a commitment to increased commuter services between Galway and Athenry and these should be introduced as soon as possible. The WRC would enable commuter services along its entire length. This would include services between the towns along the route and also commuter services for Galway and Sligo. The introduction of such services should be determined by demand but should also be seen as a strategic investment in the development of gateways.

⁵² Report of the Expert Working Group on the Western Rail Corridor, May 2005

4.1.3 Air Access

4.1.3.1 Why is air access important?

International air access is very important to sustaining and growing both the tourism and knowledge sectors of the economy. Ireland's island status means that airports have a more important role than may be the case for countries based on the European continent.

The Western Region has two international airports – Ireland West Airport Knock and Shannon airport – while City of Derry international airport services Donegal. There are also three regional airports at Galway, Sligo and Carrickfinn (Donegal).

Close to 80% of all overseas tourists visiting the West arrive by air, either directly into the region or via another airport and travelling internally.⁵³ The tourism trend of frequent short breaks means that direct access into a region is an important factor in its tourism success. Regions outside of Dublin have suffered a declining market share because of poor access into their regions.⁵⁴ In contrast, there has been significant growth in the Dublin tourism market as the number of routes into the airport has grown.

International air access supports and facilitates growth in foreign direct investment and supports indigenous enterprise. As Ireland evolves into a more knowledge and service-based economy, the efficient movement of people is increasingly critical as there is often more individual customisation of products/services which necessitates direct customer interaction. Direct air access to the regions is therefore an increasingly important factor in the economic development of the regions.

4.1.3.2 What are the current issues with air access?

The building of a new airport or terminal is extremely expensive. This has led to the policy (and practice) at EU level of utilising existing capacity better, including facilities at 'secondary' airports. This practice has also enabled a huge growth in low cost air access, improving connectivity between EU countries. Capacity constraints, particularly at Dublin airport, are a major issue in Ireland and have been identified as creating a constraint on business and tourism growth.⁵⁵

The quality of surface transport connections to airports is an issue for all airports and constrains the potential to distribute the benefits of increased air access to a wider geographical area.

⁵³ Fáilte Ireland, *Region Fact Sheets 2004*

⁵⁴ Irish Tourist Industry Confederation (2005), *How Tourism in Ireland is Changing: Regional Distribution*

⁵⁵ Tourism Policy Review Group (2003), *New Horizons for Irish Tourism: An Agenda for Action*

4.1.3.3 How can the current issues be addressed?

Government policy should focus on enabling existing airport capacity to work more effectively to serve regional development needs. This would entail support for enhanced capacity at existing airports where required, particularly in those regions where direct international access is insufficient.

4.1.3.4 Proposed measures for air access

1. Ireland West Airport Knock is a growing international airport with an opportunity to provide a stimulus for economic activity in its hinterland (Mayo, Sligo, Roscommon, Leitrim, Galway, Longford, south Donegal, Fermanagh) as Shannon airport has provided in the Mid-West. Ireland West Airport Knock already has the runway capacity to handle large aircraft and the **NDP 2007-2013 should include a commitment to support the further expansion of the airport to fully reach its potential as a driver of regional development.**
2. **Route development** at the international airports in the region should be supported as part of an overall strategy to promote tourism development.
3. Improvements to **surface transport connections serving airports**, as outlined under the road and rail sections, should be included as part of the new NDP.

Lionbridge Technologies, Ballina, Co Mayo – Facing the Challenges of the Infrastructure Deficit

Lionbridge Technologies, which employs 4,000 people worldwide, has operated from its Ballina centre since 1997. It is an internationally traded services company providing software globalisation and testing services. At Ballina, the Lionbridge operation services the European market and focuses on Content (authorising data for the web and hardcopy and also publishing and translating data) and Code (maintaining software code and certifying them using the VeriTest service). Lionbridge employs 100 people at Ballina, drawn from a catchment area including Westport, Claremorris and Sligo. A further 50 people are employed at its Galway centre.

Given the nature of Lionbridge's operations, internet connectivity is key to their activities. Up to 2000, Lionbridge had been using an ISDN system to service their telecommunications requirements in Ballina. However they realised that such a system would not have the capacity to facilitate their anticipated growth (a 50% growth in business between 2002 and 2004) so they switched to a fibre-based service. While satisfied with this service, their current arrangement comes to an end in 2006 and they are currently examining the possibilities associated with the Metropolitan Area Network in Ballina.

Lionbridge Technologies considers poor infrastructure to be one of the biggest difficulties faced by multi-national companies operating in the West. While they acknowledge that some progress has been made, in particular on the N4/N5 road from Dublin to Longford, there continues to be a serious deficit. In particular the route from Galway to Ballina is considered an embarrassment when overseas colleagues are visiting.

While Lionbridge is not a heavy electricity user, they do experience brown-outs and have invested in their own generator as a back up. In general terms, they view the poor quality and reliability of the electricity infrastructure in Mayo as representing a constraint on large manufacturing enterprises in the county.

While there have been a lot of very positive developments across the Western Region in the past ten years there are a number of areas where there has been very limited progress. Lionbridge considers that until the infrastructure network is completed, a critical mass of people and jobs will not come west.

4.2 Energy Infrastructure and Renewable Energy

In this section issues relating to energy infrastructure are examined. This is followed by consideration of the issues and requirements for the development of renewable energy.

4.2.1 Energy Infrastructure

4.2.1.1 Why is energy infrastructure important?

The WDC believes that an efficient, resilient energy infrastructure is crucial for regional development. The link between economic growth and energy demand is well recognised. Reliable energy sources, capable of meeting increasing demand, are essential to economic development. In order for the Western Region to be able to compete for investment and employment, quality, modern, efficient power needs to be available, both to attract new industries to regional locations and also to allow those already established to be competitive both nationally and globally. The WDC is concerned that regions such as the West, with low population densities and relatively little industrial development, are given due consideration in the development of policies, institutions and structures for the energy sector.

Government commitments to increased renewable generation (see section 4.2.2) will also affect the development and use patterns of electricity transmission infrastructure. Planning of infrastructure needs to take account, not only of the demand for electricity in an area, but also likely future use of electricity transmission infrastructure by smaller renewable generators.

4.2.1.2 What are the current issues with energy infrastructure?

Regulation

Energy markets are being opened up, with the goal of increasing competition, creating efficiencies and reducing costs. While these are important goals, policies for developing infrastructures, particularly in the regions, must not be subservient to those for market development. It is essential that during the process of deregulation and the development of a competitive market, it is recognised that quality energy infrastructure is necessary for regional development.

Natural Gas

In the last 35 years natural gas has become, like electricity, an essential energy source in Europe. Demand for gas in Ireland has grown and there has been major industrial uptake wherever natural gas is available. As the gas grid network expands, the availability of gas supply will be taken for granted in many regions. The lack of gas infrastructure in other regions may become a disincentive to investment. Industries in areas without natural gas face higher energy costs, lack choice of energy supply and may in future face higher costs arising from the use of more polluting energy sources (see JFC Manufacturing p. 57).

The expected growth in wind-powered generation to enable Ireland meet its Kyoto greenhouse gas emissions targets will require a more flexible generation response from non-intermittent (non-wind) generation. This points to the need for greater use of generation plant in regions where there is a concentration of wind-powered generation, as in the Western Region. Natural gas is one of the most suitable fuels for such generation; access to the natural gas grid is essential to the development of this generation pattern.

Electricity Infrastructure

In much of the region there is little choice of energy supply (e.g. natural gas) and hence the Western Region is particularly reliant on electricity. It is thus important that electricity users in the region can plan for future developments confident that supplies will improve and that their remoter locations will not militate against them in terms of electricity provision or cost. While the WDC welcomed the recent improvements and reinforcements in the transmission and distribution networks, this needs to continue. Much of the reinforcement will only be effective in the short to medium-term, and the WDC is particularly concerned as to the effect of poor power quality (both current and previous) on confidence and inward investment, and consequently on regional development (see Lionbridge Technologies p. 49).

It is essential therefore that there is a facility in any market structures and arrangements to consider the broader development needs of regions, as an element of the policy and regulatory process.

4.2.1.3 How can the current issues be addressed?

In the NDP 2000-2006, it is acknowledged that the investment in energy infrastructure and supply will not be directly controlled by the government, but that it is nonetheless essential for development:

The vast bulk of capital investment in the energy sector over the period to 2006 will take place outside of the provisions provided for in the Plan. The importance of the energy transmission network to the promotion of regional development is recognised.

*The Government will be concerned, in the context of a more competitive environment for energy supplies, to ensure that energy capacity **does not act as a constraint on regional development**.⁵⁶*

This clear policy statement needs to be highlighted and expanded in the NDP 2007-2013. It is possible that there will be significant changes in energy policy proposed in the forthcoming Green Paper on Energy. Energy is a vital infrastructure, where there is failure in either the energy market or the regulatory process to ensure the development of appropriate energy infrastructure, there must be investment by government.

In order to meet the Western Region's needs for adequate energy supply, there should be an **expansion of regional electricity generation capacity (both renewable generation, and conventional generation to support intermittent renewable generation) and accompanying investment in electricity transmission**. In border areas there is considerable potential for cross-border integration of electricity and gas infrastructure. In addition there needs to be an **expansion of the gas network in the regions** to give access to gas in major centres. This can help attract inward investment and provide energy choice for users and access to a cleaner source of energy.

⁵⁶ *National Development Plan 2000-2006, (p. 67) (emphasis added)*

4.2.1.4 Proposed measures for energy infrastructure

1. **Energy policy must be able to address the needs of less developed regions** and recognition of the importance of this, the commitment to it and the mechanisms for it should be made explicit in the NDP 2007-2013.
2. **Expansion of electricity generation and transmission capacity in the regions is required** especially given the potential for increased renewable generation. In particular, there is potential for the improvement of cross-border infrastructure in this area to allow increased use of the smaller interconnectors.
3. **Expansion of the gas network in the regions** is required to provide wider access to a choice of energy supply. There is an opportunity to fund extensions of the natural gas transmission network to all gateways under the NDP.

4.2.2 Renewable Energy

4.2.2.1 Why is renewable energy important?

Renewable energy production can create economically and environmentally sustainable enterprises and play an important role in the provision of employment opportunities in rural areas experiencing agricultural decline.

Ireland is committed under the Kyoto Protocol to substantially reducing its CO₂ emissions by 2012. It has also committed to ensuring that at least 13.2% of its electricity generating capacity is from renewable sources by 2010.⁵⁷ Future requirements are likely to be considerably more onerous. There is also likely to be an increased focus on security of supply and the use of indigenous energy sources for generation. The greatest potential for renewable generation is likely to be in the least developed regions where there are the opportunities to make best use of natural resources such as wind, wave power and biomass production.

Ireland has the second best wind resource in Europe and **most of the best wind power sites in Ireland are located in the western counties**.⁵⁸ Given the overall move towards increasing renewable energy generation, wind power presents considerable potential for development in some of the least developed parts of the Western Region. The WDC considers that to maximise the economic contribution of such development to the local economy and rural development, there is a need to increase the level of community and small-scale participation in wind energy projects. The WDC investigated this approach in *To Catch the Wind: The Potential for Community Ownership of Wind Farms in Ireland*.⁵⁹

⁵⁷ Directive 2001/77/EC on the promotion of electricity produced from renewable energy sources in the internal electricity market.

⁵⁸ ESB International and ETSU (1997), *Total Renewable Energy Resource in Ireland*; SEI, *Wind Atlas for Ireland*

⁵⁹ WDC (2004), *To Catch the Wind: The Potential for Community Ownership of Wind Farms in Ireland*

In addition to wind, biomass also presents significant opportunities. In December 2005 the EU Biomass Action Plan was published, positioning the sector as a key element of renewable energy development. At a European level biomass has achieved a considerable share of the energy market, but Ireland has the lowest use of biomass in the EU (less than 10 petajoules per annum) (see Figure A11 in the Appendix).

The scope for development of bioenergy⁶⁰ in Ireland is significant. Sustainable Energy Ireland has estimated that by 2010 biomass could produce 340MW (a combination of electricity and thermal) and contribute 1.4% of our Total Primary Energy Supply.⁶¹ The WDC is currently engaging with key interests from the public and private sectors and examining the potential for bioenergy to promote economic development within the Western Region. **The use of forestry residues for heat generation is likely to have the greatest potential for the region in the immediate future.** The region accounts for 41% of total afforested land in the state and much forestry in the region is reaching the stage of first thinning, resulting in an increase in the supply of pulpwood.⁶² Bioenergy represents an opportunity for the utilisation of this resource.

4.2.2.2 What are the current issues for renewable energy?

The key issues driving development of the renewable energy sector are:

- **Energy:** the necessity to reduce our fuel import dependence, meet commitments under the Kyoto protocol and comply with EU Directives in relation to renewable energies.
- **Agriculture:** the necessity to develop new income sources and opportunities in order to maintain farm family incomes.
- **Environment:** requirements in regard to climate change and new waste management strategies.

The specific issues in the case of the wind sector, and particularly community and small-scale involvement, are:

- The cost, uncertainty and complex process involved in **connecting to the national grid** is probably the biggest barrier to entry for small-scale and community-owned wind projects. In Ireland, the costs incurred for connection to the grid must be borne by the renewable energy project whereas in many other countries these costs are borne by the distribution or network system operator. This is an issue for any renewable energy project that wants to connect to the electricity grid.
- **Community and small-scale involvement** in the sector is constrained by a lack of experience in Ireland, although this approach is widely used in Europe. There is a need for a proactive development approach providing advice and information, if community and small-scale involvement in this sector is to increase.

⁶⁰ Bioenergy is energy which is produced from biomass. Biomass incorporates biodegradable wastes (e.g. wood industry residues, forestry residues, biogas from agriculture wastes, landfill gas and the organic component of municipal solid waste) and purpose grown energy crops (e.g. short rotation coppice, rape seed). Bioenergy can be used to produce heat, electricity and transport fuels (the three main modes of energy use).

⁶¹ SEI (2002), Briefing Note on Biomass

⁶² Rural Resource Development (2004), A Study of the County Clare Farm Forestry Market

In relation to bioenergy the key issues are:

- Bioenergy is not an intermittent energy source, as the fuel can be stored, and energy dispatched when required. It is critical that **supply chains** linking agriculture/forestry and bioenergy plants are reliable.
- In general, biomass equipment is **capital intensive**. It can be difficult to compete with fossil fuel technologies on a capital cost basis. This can result in a higher investment risk for financial investors.
- The **creation of alternative local markets for the pulpwood resources** in the west and north west is a major issue for the forestry sector. Bioenergy production, in particular for domestic and commercial heating, represents one of the best opportunities in this regard.

4.2.2.3 How can the current issues be addressed?

As investment in renewable energy can have a considerable lead-in period it is necessary that renewable energy generating capacity be expanded now in order to meet future targets in relation to renewables generation and greenhouse gas emissions.

Wind generation has increased rapidly in recent years and **access to the grid**, which is the main barrier to future development, must be tackled if the full potential of the sector is to be realised. Community and small-scale involvement in the sector should be promoted to ensure that the benefits of such development are more evenly distributed and make a greater contribution to development of the rural economy.

Development of the bioenergy sector must be based on **a clear policy and overall framework** incorporating a vision for the sector along with explicit targets and a strategic approach. Development of the policy must involve co-ordination between the five relevant government departments⁶³ as well as state agencies, the private and community sectors.

Overall policy must be implemented through active support for **establishment of supply chains**. Given the fact that certain elements of the bioenergy market e.g. pulpwood from forestry, are most economically viable if there is a cluster of consumers relatively close to the supplier, the development of critical levels of local demand also requires support. **Support for a community-led approach to developing both supply and demand in the biomass sector should be considered.**

⁶³ The relevant Departments are: Communications, Marine and Natural Resources; Agriculture and Food; Community, Rural and Gaeltacht Affairs; Environment, Heritage and Local Government; and Finance.

4.2.2.4 Proposed measures for renewable energy

General

1. There is a need for an **independent support structure** to provide information and advice to help individuals and communities develop and/or participate in renewable energy projects. Such support should involve **a proactive developmental approach** in order to stimulate and facilitate individuals and communities to become involved. Therefore, the NDP 2007-2013 should provide seed funding to enable the establishment of an independent Renewable Energy Development Group (REDG).⁶⁴
2. A co-ordinated **information and awareness** programme on renewable energy technologies needs to be rolled out nationally and through complementary local initiatives. This is a key driver of development and sufficient resources need to be allocated to programmes under the NDP. This is an opportunity for enhanced co-ordination between the National Energy Agency, Sustainable Energy Ireland and Local Energy Agencies.

Wind Energy

3. State support or incentives should be given to encourage all those living in areas where wind farms are being developed to invest, regardless of their tax status. Such assistance could, for example, take the form of providing a level of support equivalent to that enjoyed by those availing of the BES scheme to all investors in wind energy projects.

Bioenergy

4. **Research and demonstration** support schemes are required in areas such as market development and production and technology e.g. harvesting methods, drying of chips, storage issues. Such support could include the production of good practice guidelines for the industry to inform and assist further development and a co-ordinated capital grant support programme which provides appropriate support for installation of equipment to serve as demonstration. Advisory services have a key role to play in the transfer of information and practice.
5. The **public sector** has significant capacity to take the lead in using bioenergy systems, particularly wood heating, and thereby act as a model of best practice. A specific programme for implementation of demonstration projects in the public sector for heating, Combined Heat & Power (CHP) and transport fuels should be supported under the NDP 2007-2013.
6. A comprehensive set of dedicated programmes needs to be put in place including **mentoring, training, networking, education and advice**. Training and education are essential to meet the needs of the sector, and for maintenance of quality standards.

⁶⁴ The proposed Renewable Energy Development Groups (REDG) is described in detail on page 25 of *To Catch the Wind*.

7. Physical capital supports are also necessary to stimulate supply in the biomass sector. This should include the provision of **capital grants** for harvesting/processing and transport equipment, and strategically located wood fuel depots.
8. Such capital programmes will be more effective if promoted through locally based development agencies such as has happened in Austria and Denmark where the biomass sector has flourished through adoption of the co-operative model with the establishment of Energy Supply Companies. Support for the adoption of the **co-operative model** in the biomass sector in Ireland should be included in the new NDP.
9. **Standards and quality controls** are necessary to achieve market confidence and credibility. The NDP should incorporate measures to ensure the implementation of standards applicable in Ireland, the monitoring of such standards and the promotion of awareness of standards among producers.

JFC Manufacturing Co Ltd, Tuam, Co Galway – Expanding and Diversifying in the West

JFC Manufacturing was established in 1987. Today it is the leading producer of rotationally moulded plastic products in Ireland, with a turnover of €30 million in 2005, exporting to 35 destinations and employing 200 people worldwide. Ninety are employed at their headquarters in Tuam where the management, R&D and sales and marketing functions, as well as production, are based.

JFC was established to supply specialised plastic products to the agriculture industry. However, at the start of the 2000s they recognised the need to diversify and expand their product range and markets. Their flagship product is now the JFC CorriPipe (a twin wall drainage pipe) which has been used on a number of major road building projects across the country. This is produced at the Tuam plant.

JFC have extended their involvement throughout the supply chain by acquiring Delleve Plastics and Reprise Plastic Recycling in the UK where they recycle 5,000 tonnes of plastic bottles a year. The resulting HDPE pellets are then shipped to the Tuam plant and are processed into JFC CorriPipe. JFC have diversified their involvement in the environmental industry in the UK beyond the production of their own raw materials, and now employ 85 people in the UK.

Research and development is a key source of future growth and will play a large part in helping JFC to reach their target of a turnover of €50 million by 2008. They employ 12 highly skilled staff in their R&D division in Tuam. They do not have difficulty attracting such skilled staff and have a very low staff turnover. They are currently undertaking a €2.5 million investment in their R&D capacity with the assistance of Enterprise Ireland. They are also working with NUI Galway on a number of projects related to water and sewage treatment.

In terms of markets, JFC is looking at expanding into the major new markets in Russia, the Ukraine and Eastern Europe. In order to compete within these markets they established a €5 million manufacturing and distribution plant in Poland in 2004 where they employ 25 people. Given the extent of their markets, international air access is key for their sales and marketing staff as well as broadband connections to facilitate online sales.

Their main challenge is cost competitiveness, which has been partly addressed through their Polish operation, but remains a concern. For example Poland and the Czech Republic provide serious competition as they have far cheaper production costs – they estimate that electricity in Poland is a fifth of the cost in Ireland and gas is a twentieth of the cost. JFC are a large gas consumer, but in Tuam they do not have access to natural gas while their competitors in Northern Ireland are connected to the gas grid.

4.3 Broadband Infrastructure

4.3.1 Why is broadband infrastructure important?

Information and knowledge are key drivers of modern economies. The availability of a modern telecommunications infrastructure in the Western Region is essential to attracting and sustaining investment and maintaining competitiveness. Quality telecommunications infrastructure and services at an affordable price to customers are as crucial to regional development today as rural electrification was in the 1940s and 1950s.

In 2005, Ireland's broadband penetration rate was roughly one-quarter the average level in competitor countries, and Ireland's ranking fell by one place from 18th to 19th place out of 21 countries – a return to its 2003 position. The increase in broadband supply during 2005 was mainly via DSL technology (over existing copper telephone lines) but the services in Ireland provide relatively low speeds compared to other European countries.

There is a spatial digital divide in the availability of broadband because the customer base or spending power of consumers outside of larger centres is insufficient to attract private investment. This 'market failure' has been recognised by government and various initiatives have been put in place as part of the NDP 2000-2006 to facilitate broadband rollout.⁶⁵

Despite this, there remain major regional differences in access to broadband. The recent Forfás Benchmarking Report shows that **rural** coverage from DSL is second lowest in the EU-15 at just 38% of the population. Even though DSL has inherent distance limitations, much more sparsely populated countries such as Sweden and Finland have levels of coverage that are twice as high.

As part of its remit, the WDC has been active in highlighting the infrastructure deficits that affect the region's ability to attract inward investment and to grow indigenous enterprises.⁶⁶ Lack of access to broadband can force companies to relocate, hinder their expansion and prevent them from availing of flexible work arrangements. Broadband is also a key enabler of lifelong learning initiatives through the use of ICT-based teaching and distance learning.⁶⁷ Households in the S&E region with internet access are more than twice as likely to have a broadband connection as those in the BMW region.⁶⁸

⁶⁵ These include the Metropolitan Area Networks (MANs) project to provide open access carrier neutral fibre networks in and around cities and towns, the County and Group Broadband Scheme (CGBS) for smaller centres and rural areas, the Schools Broadband Initiative, various projects under the Clár Programme etc. The WDC was active in promoting the CGBS in 2005.

⁶⁶ The WDC provided an analysis of broadband issues in *The State of the West (2001)* and *Telecommunications in the Western Region (2002)*.

⁶⁷ For instance, among the on-line courses currently being offered by FAS only two – Health and Safety and Apprenticeship – do not require broadband. Each of the other course categories, including business, soft skills and personal development can only be availed of by those that have broadband connectivity.

⁶⁸ Central Statistic Office: *Information Society and Telecommunications 2005*

4.3.2 What are the current issues with broadband infrastructure?

Inability to access broadband seriously affects the competitiveness of firms in the Western Region, as well as its attractiveness as a location for business. Even where broadband is available, business customers in particular experience difficulties with higher costs, the quality of service such as the absence of service level agreements, lack of support for voice over internet (VoIP), asymmetric services, and general unreliability. There is also a concern as to whether DSL technology can deliver sufficient capacity over the longer-term.

The gap in DSL provision in smaller centres and in rural areas is not made up by the greater availability of broadband based on other technology platforms. Various government sponsored broadband initiatives, such as those funded under Clár and the CGBS are based almost entirely on wireless or satellite technology. Experiences with such schemes to date have given rise to a set of difficulties. These include:

- access to backhaul i.e. linkages to the national network;
- lack of competition resulting in high backhaul charges which are distance-dependent, or based on minimum prices and quantities, thus putting more remote areas at a cost disadvantage;
- technical issues with delivery e.g. siting of masts, line of sight for wireless systems, high contention ratios etc;
- lack of competition among local suppliers and the reliability of some providers;
- difficulty of linking directly with the schools broadband programme;
- leadership and technical competence in communities;
- the cost of technical surveys.

Resolving these difficulties requires a concerted approach that addresses their causes which are rooted variously in the market, the technical limitations of wireless and satellite technology platforms, and the assumption that a basic utility as technically complex as broadband telecommunications can be delivered on a partly community/voluntary basis.

4.3.3 How can the current issues be addressed?

The WDC believes that given the limited progress to date, the only realistic way of addressing the digital spatial divide is to make a strategic commitment to 100% broadband coverage (as in Northern Ireland) and then proceed to put in place the technical means to deliver it through private and public investment. The WDC believes that broadband should be seen as a basic utility (similar to water and electricity). In this context, the amount of public monies required to achieve full rollout can be seen, in comparative terms, as quite modest. **The cost of the broadband deficit, in terms of loss of regional competitiveness, the effect on location decisions of firms and on the productivity of existing firms, and the consequent negative impact on regional development, could potentially be immeasurably greater.**

Clearly, demand for services will drive private sector investment in broadband technologies and services. There is a need to stimulate awareness among SMEs and residential users. The WDC believes that demand stimulation should therefore be part of any broadband delivery strategy.⁶⁹ However, we must stress that there is considerable pent-up demand in the Western Region in areas that currently do not have access. A fundamental factor in stimulating demand is the provision of lucid and up to date information – such as maps and impartial technical and market information for businesses and home users.

4.3.4 Proposed measures for broadband infrastructure

1. Government needs to take a leadership role by regarding broadband infrastructure as a **basic utility** similar to energy, water or voice telephony, and by putting in place a **clear national strategy for universal access to high quality, affordable broadband by end 2007**. This should be based on a national goal of making Ireland a leading knowledge society in world terms, and be set out in the NDP 2007-2013.
2. Government should put in place the technical means to deliver 100% coverage through a combination of public and private investment (already achieved in Northern Ireland) using appropriate technology platforms.
3. The WDC considers it essential to optimise the use of infrastructure in state ownership, particularly as a means of providing competitively priced backhaul for MANs and wireless networks in rural areas.
4. The national strategy should target the needs of different market segments – large businesses, SMEs, micro-businesses and domestic users. It should include both shorter-term targets for first generation broadband services and provision for migration to the progressively higher bandwidths.
5. Greater attention is needed to the role that on-line service delivery in the public sector could play in improving PC literacy and driving demand. This role acquires a new significance in the context of the government's decentralisation programme. Public sector procurement practices, and the delivery of government services – including within the key health and education sectors – should also be part of the national strategy for broadband provision.
6. To address the digital and spatial divide and stimulate demand, locally based ICT initiatives which combine demonstrations, training and use of IT equipment and would encourage adoption of ICT and demand for broadband by local firms and rural businesses, and enable them to benefit from productivity gains from e-business and e-commerce should be supported. Such initiatives will also address e-exclusion. To maximise their versatility and penetration into rural areas, these could be based on a well-equipped 'mobile facility' which could efficiently deliver demonstrations and skill training and then move to another location.⁷⁰

⁶⁹ The factors which drive demand for broadband were addressed in some detail in the ISC publication, *Ireland's Broadband Future*, with case study illustrations.

⁷⁰ One example of this would be the Computer Club House project sponsored by the Intel Corporation. Another example is the BT Broadband Studio see www.btireland.ie/broadband

eTeams International Ltd, Scariff, Co Clare – Finding Solutions for a Rural Location

eTeams International Ltd is a translation company which has been in business since 1991. It provides a range of language services including translation, localisation, interpreting, proof-reading and abstractions in all world languages as well as design and publication of multilingual content. The company operates a flexible business model based on e-working methods. It has a permanent staff of 12 based in Scariff, Co Clare with over 500 freelance translators, 150 freelance website and graphic design personnel and 50 freelance interpreters across the globe. Some of its clients include the Department of Foreign Affairs, the Health Service Executive and Microsoft Ireland. It also provided translation services for the Irish and UK Presidencies of the EU.

While eTeams originally found that their location was a cause for concern among potential Dublin-based clients, over time they built up a reputation for reliability and an ability to manage large projects at a distance. This culminated in their winning the contract for translation services for Ireland's Presidency of the EU which they attribute to a combination of price and high standards. Being based in a rural location means that they can keep costs down.

Rent costs are far lower and their business model based on e-working keeps their staffing costs down while also providing a high level of flexibility. All their translators are native speakers and the majority also have a third level qualification. Their translators have flexible working arrangements, but are committed to meeting deadlines. This facilitates people living in rural areas and also women with young children.

One of the main challenges facing the business at the moment is broadband access. Most of the company's work is done online and file sizes are getting bigger all the time. For the past two years they were using a satellite based system with which they were very satisfied, although they were paying considerably more than businesses based in Dublin. However their service provider is no longer in business and for the past three months they have had to revert to an ISDN line. This has made delivering on time much more difficult. Currently their hopes lie with the East Clare Broadband Scheme which has received funding approval under the Community and Group Broadband Scheme. But waiting for this for three years has been a huge distraction to their business.

eTeams have a growth strategy by which they aim to achieve a turnover of €5.5 million by 2010. To reach this they are aiming to strengthen their position in Europe which will require the employment of additional sales and marketing staff. They have received assistance from Shannon Development to strengthen the sales and marketing side of their business.

5. Investment Priorities for the Productive Sectors

In this section we set out the WDC's recommendations for investment in the productive sectors. We have limited this to those sectors in which the WDC is directly involved. Our recommendations are set in the context of the contribution which these sectors make to achieving more regionally balanced development. The same structure as in the previous section is used i.e. we set out the importance of the sector, what are the key issues and how these can be addressed through the NDP 2007-2013.

While specific reference will be made to circumstances within the Western Region, many of our recommendations will be relevant to all regions. We pay particular attention to measures which will promote development of the rural economy.

The section is organised under the following headings and includes case studies to illustrate businesses and initiatives in the Western Region

- Tourism
- Enterprise and Employment
- WDC Western Investment Fund
- Organic Agri-Food

5.1 Tourism – Need to Reverse the Decline in Rural Regions

5.1.1 Why is regional tourism important?

Tourism is a largely Irish-owned sector of enterprise, and national and regional wealth creation, delivering significant benefits to the economy. Total tourism revenue accounted for 3.9% of GNP in 2004.⁷¹ The estimated number of people employed in tourism in 2004 was 230,927.

Tourism is a major instrument of regional development. Many tourism enterprises are situated in areas where other employment options are limited. A thriving tourism industry contributes to the viability and sustainability of a wide range of local enterprises, and tourism promotes an enhanced awareness and positive appreciation of local tradition, way of life and cultural facilities.

The NSS identified the potential of tourism for regional development, in particular in areas with limited alternative economic opportunities

*Tourism is characterised by the fact that consumption takes place where the service is provided. Also significant is the fact that tourism activity is focused in some cases on areas with an otherwise weak economic base. As a result it can have a positive influence on regional development.*⁷²

In recent years Irish tourism has been faced with a changed international market as well as a number of internal challenges. In 2003 New Horizons for Irish Tourism: An Agenda for Action⁷³ set out a new 10-year strategy for Irish tourism development. The strategy recognises that tourism represents one of the strongest means by which balanced regional development can be achieved. It sets out as a target the doubling of the number of overseas promotable visitors, from 0.8 million to 1.6 million, staying at least one night in the BMW region by 2012.

The WDC has been involved in promoting the development of tourism, and specifically rural tourism, since its establishment. Through its proactive approach to development, described in section 3.7, the WDC produced a Blueprint for Tourism Development in the West in 2000. The blueprint identified how mainstream and niche tourism can be more widely dispersed to rural areas outside of the mainstream destinations. Since then the WDC has been facilitating the development of sustainable strategic initiatives in rural tourism across the region and our recommendations for NDP 2007-2013 are based on this experience.

⁷¹ CSO Quarterly Survey

⁷² Department of the Environment and Local Government (2002), *The National Spatial Strategy 2002-2020: People, Places and Potential* (p. 99)

⁷³ Tourism Policy Review Group (2003), *New Horizons for Irish Tourism: An Agenda for Action*, Department of Arts, Sport and Tourism

5.1.2 What are the current issues for regional tourism?

Ireland has experienced a trend of increasing spatial concentration of tourist numbers. Apart from Dublin, all regions have experienced a decline in overseas tourist numbers since 2000.⁷⁴ In the Western Region, **counties that have experienced the greatest declines in numbers and revenues are those that tend to have a greater reliance on a rural tourism product.** Some of the key issues for regional tourism are:

- **Changing market trends** – greater variety of holiday destinations, including long haul; more use of the internet including late booking to take advantage of special offers; changing market profile including more older tourists; low cost access and wider accommodation choice, favour urban destinations.
- **Cost and destination competitiveness** – new tourist destinations, notably in central and eastern Europe have increased the competition faced by Ireland and its regions, while the introduction of the euro has permitted easier price comparisons.
- **Transport access to the regions** – direct international access to the regions, as well as effective internal transport links is probably the largest single issue facing future regional tourism development in Ireland. Time-poor tourists seeking shorter, single destination holidays in a competitive market need direct international access to the regions.
- **Decline in activity and special interest holidays** – Ireland has suffered a decline in most activity holidays in recent years. Walking, a sector where the Western Region has a major advantage, has been particularly affected. There was a 41% decline in walking tourists to Ireland between 2000 and 2003. Despite this, it still accounted for 29% of all activity holidays in 2003 and remains a key segment of the industry.
- **Tourism spend under the NDP 2000-2006** – despite an allocation of €155 million to tourism measures in the BMW region, expenditure under the BMW OP was only 1% of forecast by June 2005. Approximately 33 projects amounting to funding of €20.5 million have received either approval or deferral.⁷⁵ One of the reasons for the low expenditure under these measures is the mismatch between the criteria for funding and the development needs of tourism in the regions.⁷⁶
- **Product development** – given the changing market conditions for tourism and the competition from urban destinations, tourism growth in the Western Region will depend on the quality of the tourism product on offer. A sustained focus on product development is therefore a priority.

⁷⁴ As of 2004, only Dublin has recovered its 2000 level with a 9.2% increase over the 2000 to 2004 period. All other regions have experienced a decline over the period with the North West experiencing a 19.4% decrease in overseas visitor numbers.

⁷⁵ Report to the Monitoring Committee of the Border, Midlands, West Operational Programme

⁷⁶ E.g. the criteria for the Development of Major Attractors sub-measure, that the project must have the potential to attract 100,000 visitors annually, automatically discriminated against tourism developments in some regions and in more rural areas in particular.

- **Structures for Regional Tourism** – a recent review of the regional structures for tourism⁷⁷ highlighted the lack of a product development focus within the existing regional tourism structures. The review proposes expanding the product development and enterprise support functions of the regional tourism structures. The mandate, structure and operation of the Regional Tourism Authorities (RTAs) will impact upon the future development of tourism in the regions. A developmental role would be in line with the remit of Fáilte Ireland.

5.1.3 How can the current issues be addressed?

The WDC's blueprint report stated

... present structures are not equipped to deal with the extent and scale of intervention required to address the particular needs of developing tourism in rural areas. There is no overall plan for tourism dispersal to rural areas and no overall goal.⁷⁸

This statement is as relevant today as it was in 2000.

The blueprint report led to the establishment of the Western Development Tourism Programme (WDTP). This partnership⁷⁹ has proven to be an effective approach to the delivery of actions⁸⁰ to support strategic tourism development in the region, and it could be mainstreamed.

5.1.3.1 Priority to regional tourism development

The WDC believes that support for tourism in the NDP 2007-2013 must have at its core measures to disperse tourists to the regions. It has been recognised that given the current trends, achieving the regional target set out in New Horizons is becoming increasingly challenging and specific actions to achieve that target need to be established. **The NDP must support rural tourism providers to adapt to changing consumer trends, and tourism agencies to proactively support the development and marketing of product in the regions.**

Reports of the Tourism Action Plan Implementation Group⁸¹ have shown that little progress has been made in the areas of the development and spread of tourism in the regions, countryside access, product development and innovation, and signposting on national and regional roads, among others. The WDC considers that the NDP 2007-2013 must contain measures to support the overall implementation of the New Horizons strategy and in particular these four areas.

⁷⁷ PricewaterhouseCoopers (2005), *Review of Regional Tourism Structures in Ireland*, Fáilte Ireland

⁷⁸ WDC (2000), *Blueprint for Tourism Development in the West: An Action Plan for Rural Areas* (p. 9)

⁷⁹ The WDTP is chaired by Fáilte Ireland. Its members include the Department of Community, Rural and Gaeltacht Affairs, WDC, Shannon Development, Ireland West Tourism, North West Tourism, Department of the Environment and Local Government, Údarás na Gaeltachta, ITIC, Leader and IT Sligo.

⁸⁰ Outputs include 17 regional initiatives including the Green Box, *Walking in the West*, the *Western Regions Brochure* and national certificates in sustainable tourism development and ecotourism development.

⁸¹ The Tourism Action Plan Implementation Group are responsible for implementing actions under the New Horizons document.

5.1.3.2 Regional targets

New Horizons set six strategic targets, only one of which has a regional element. For the other targets (revenue, overseas and domestic numbers) there is no incentive, by way of regional targets, to pursue tourism growth across the country. Such national targets could simply be met through growth in Dublin and other larger urban centres.

The WDC believes that achieving the objective of a more even distribution of tourism requires that all involved work to regional targets. **There should be clear targets for visitor numbers, visitor spending and funding for each region.** In turn there should be targets for the individual counties within each region to ensure that regional targets are not solely met through further growth of 'honeypots' within the region.

The performance of the sector as a whole can be measured against regional targets, and even if all the targets are not fully met, their existence would likely lead to a review of measures and tactics and appropriate adjustments in the approach to developing tourism in the regions.

5.1.3.3 Transport access to the regions

The WDC considers that there should be a clearly defined role for the tourism development agencies in the development of national transport policies. The interests of the tourism sector should be considered in decisions taken by the Departments of Transport, and Environment, Heritage and Local Government, and Local Authorities in this regard. In relation to particular modes of transport please see section 4.1.

Signposting is another issue which needs to be tackled as a matter of urgency. The New Horizons Action Plan included an action to prioritise major tourism routes in national and regional road signposting programmes. This is one of the actions that has made no or limited progress in the intervening two years. The WDC considers that the tourism development agencies and Local Authorities should be actively involved in the programme to upgrade tourism signage recently announced by the Department of Transport.

5.1.3.4 Development, marketing and financial support

Structures that will support the delivery of innovative product

The WDC considers that promoting innovative product development must be the primary responsibility of the new regional tourism structures. It is an opportune time to provide the regions with the support necessary to enable and facilitate the product development process. The new regional tourism structures should take the role of a key enabler of product development by:

- facilitating strategic projects and/or clusters of small private sector tourism businesses in rural areas;
- developing networks of product within tourism zones (see a spatial approach below);
- proactively assisting clusters of small private sector tourism businesses to avail of funding support under the NDP 2007-2013;
- supporting product development that can convert into tourism packages and appeal to visitors who want to stay in rural areas.

The success of the above development approach is clearly evident from the operation of the WDTP. Proactive development of this kind is of particular importance in the Western Region given its poor performance and weaker tourism product. Smaller private sector tourism providers, particularly those operating in rural areas, lack critical mass, expertise and resources to engage in the development of large-scale ventures by themselves.

Innovative product development

The WDC considers that it is now necessary for an increased level of attention to be focussed upon innovative product development in the regions. The level of support available for tourism marketing needs to be matched by support given to product development. This is necessary to meet the regional target set out in New Horizons and it is only through a focus on innovative product development that county level targets can be met. High quality tourism products will act as a catalyst for attracting tourists from the urban areas into rural areas and will also support a greater innovation culture as proposed by the Lisbon Agenda.

Criteria for tourism support measures under the new NDP

The WDC considers that the NDP 2007-2013 needs to include specific measures for the tourism sector but that the design of such measures should be completely reviewed in light of the low expenditure under the NDP 2000-2006. **The tourism measures should be sufficiently flexible to adapt to the needs of the individual regions and funding for the tourism measures should also be ring-fenced for individual regions.**

New rural development measures for 2007-2013 are currently being developed by the Departments of Community, Rural and Gaeltacht Affairs, and Agriculture and Food. Support for rural tourism will be included among these measures. **The WDC considers that measures under the Rural Development Programme should represent additional support to that provided by the tourism development agencies and should support strategic partnerships to work together to develop innovative product in rural areas. The WDTP is an example of this approach.⁸² The rural development measures should not be the sole means of support for rural tourism which must be central to the remit of the tourism development agencies and be funded under the NDP 2007-2013.**

A spatial approach

In its Blueprint for Tourism in the West the WDC proposed a spatial approach, involving three different zones, as the way forward. Under the direction of the WDC and the WDTP, the Green Box project has proven that this approach does work (see Green Box p. 71). Innovative product development within such zones should be delivered by the new regional tourism structures. The approach should ensure that strategic partnerships across all tourism and rural development organisations are supported to work together to develop a critical mass of innovative product in particular zones. This approach will act as a catalyst for:

- joined up thinking and support for particular themes;
- proactive development support for the private sector operating in rural areas;
- delivery of world class tourist destinations in rural areas.

⁸² See the WDC's submission to consultation on the Rural Development National Strategy Plan 2007-2013 available at www.wdc.ie

Innovative product development in any zone relies on active tourism research and training. The WDC considers that research on the tourism sector within the regions and the application of this research, through training and product development, within the regions should be supported. The third level colleges in the region have a key role here.

5.1.4 Proposed measures for regional tourism development

1. **Structures that will support the delivery of innovative product:** The structures responsible for proactively developing the tourism sector should be supported through the NDP.
2. **Innovative product development:** Support should be provided to clusters of product providers in inter-county areas to deliver themed niche tourism products (see recommendation on zoning above). Examples of themes include ecotourism, food and walking. Criteria should ensure that the overall aim of delivering a world class product is adhered to. Specific criteria to qualify for NDP support in this area should include:
 - an inter-county development plan for a particular zone reflecting the natural resources of the area and its competitive advantages;
 - evidence of buy-in from local authorities, the public, private and community sectors;
 - actions to support product development and marketing;
 - an overall delivery mechanism in terms of support to proactively drive the zone.

3. **Activity and special interest holidays:** Innovation in tourism ventures should be supported by stimulating entrepreneurs and communities to develop world class tourism products better suited to meeting the needs of customers visiting rural areas. Specific measures are required for the development and marketing of rural-based tourism products such as the following:
- long distance walking, which encourages visitors to stay in rural areas;⁸³
 - ecotourism and marine ecotourism (see Green Box p. 71);
 - adventure and water sports tourism;
 - innovative traditional heritage and culture products including Irish music, dance, sport and language.
4. **Training and information:** To successfully develop innovative tourism products in rural areas there is a need for improved training. The WDC considers that the NDP should **support training and applied research on rural tourism by the third level sector within regions**. Priority should be research on rural tourism development to determine the needs of the region or zone. A good example of this is the national certificates in sustainable tourism and ecotourism developed by IT Sligo as part of the WDTP training initiative⁸⁴ which provided training to rural tourism entrepreneurs located in the Green Box.

⁸³ *Walking in the West (WITW): In partnership with the WDTP, the WDC published Walking in the West: A Step-by-Step Guide in 2005. The Guide proposes a new integrated development process that when implemented will deliver a world class walking product, support the commercialisation of the walking product in the Western Region and increase visitor numbers. Policy recommendations at national and regional level and a model, based on international best practice, on how to develop and commercialise a walk are also presented.*

⁸⁴ *The WDTP Training initiative is a partnership between the WDTP, Institute of Technology Sligo, six Leader companies and the private sector. The initiative is a tailor made 80 hour training programme providing tourism product providers with an accredited course – National Certificate in Tourism Management & Marketing. By the end of 2005 there were 100 graduates. Participants are mostly those involved in micro-tourism enterprises. A new course National Certificate in Eco Tourism has just been delivered in the Green Box and will be delivered now throughout the region.*

The Green Box – Realising the Ecotourism Potential of the West

To date, Ireland has not realised the potential of the green or ecotourism market, particularly in continental Europe and Scandinavia, to any great extent. Given the 'green' reputation of the West of Ireland this represents a significant opportunity to develop a niche tourism product. Accordingly, the cross-border Green Box project was initiated in 2002 and represented Ireland's first integrated ecotourism project.

The Green Box aims to deliver environmentally sustainable tourism products, accommodation and attractions. Such tourism activity will have minimal impact on the ecology of the area, be of maximum benefit to the local communities and meet the needs of the environmentally-conscious visitor. The Green Box encompasses an area covering all of Leitrim and Fermanagh and parts of Donegal, Sligo and Cavan.

The Green Box project was initiated by the Western Development Tourism Programme (WDTP), a multi-agency steering group established to implement the recommendations of the WDC's Blueprint for Tourism Development in the West.⁸⁵ The WDTP played a key facilitation role between the public, private and community sectors in the development of the initial plan, the co-ordination of funding applications and the establishment of the Green Box Board. Two members of the WDTP are members of the Green Box Board representing Fáilte Ireland and the WDC.

The Green Box has evolved into an independent project with a CEO and six full-time staff based in Manorhamilton, Co Leitrim. Funding of €3.1 million has been secured for the project for the period to early 2008.⁸⁶ The Green Box project is focused on product development and supports all stages in the tourism development process from training, through product development, certification and marketing.

- **Training:** A new National Certificate in Ecotourism has been developed by IT Sligo in conjunction with the WDTP and been delivered to 20 providers within the Green Box area. The providers were supported to participate on this course by the local Leader organisations.
- **Product Development:** The Green Box project administers a capital development programme of €1,162,500 which provides grant aid to private or community-owned tourism related businesses in the area. Businesses that can access funding under this programme include eco-friendly accommodation, organic or specialist food producers, restaurants, activity holiday providers, specialist tour operators, craft businesses and others. The programme will also fund two flagship capital investment projects utilising eco-friendly building practices that could serve as models of good practice.
- **Networking and Certification:** The Green Box Network aims to assist product providers within the Green Box to meet 'green' standards through training sessions and mentoring for network members. Training is currently underway to allow accommodation providers to meet the European eco-label – the EU Flower. Twenty-two providers in the Green Box will receive this label in 2006, the first on the island of Ireland. The Green Box is also developing a green certification scheme for restaurants and visitor attractions within the area.
- **Marketing:** The Green Box is also involved in marketing of the area. This includes a website www.greenbox.ie as well as direct advertising of packages within the area.

⁸⁵ WDC (2000), *Blueprint for Tourism Development in the West*

⁸⁶ All funding was received from cross-border programmes INTERREG and PEACE II.

5.2 Enterprise and Employment – Fostering Dynamism in the Regions

5.2.1 Why are enterprise and employment important?

Irish public policy in recent years has been concentrated on pursuing a strategy of increasing integration into the global economy which involves facilitating adaptation to changing global conditions and managing the process of growth.

Studies of future trends indicate that successful economies will be built on services and higher value manufacturing, which are both knowledge-based, so that R&D, education and innovation will be the main resources that will determine the competitiveness of developed countries. This led to the EU agreeing the **Lisbon Strategy** in 2000 aimed at making the EU the most dynamic and competitive economy in the world. Limited progress on this agenda led to a re-launch in 2005 with a sharpened focus on growth and jobs.⁸⁷ Some of the key elements of the renewed Lisbon Strategy are:

- increasing investment in R&D to reach the target of 3% of GDP by 2010;
- facilitating innovation and the uptake of ICT to create a knowledge society;
- improving European infrastructure;
- investing in human capital through education and skills;
- improving the adaptability of workers and enterprises and the flexibility of labour markets.

Ireland's Lisbon Agenda National Reform Programme⁸⁸ is very comprehensive in terms of pursuing this strategy at a national level, however it **lacks a spatial perspective**, except in the case of pursuing cross-border co-operation. However the enterprise, R&D and human resource structure which prevails in the regions of Ireland means that achievement of the national Lisbon goals will only be possible if the particular needs of regions are taken into consideration in national economic development strategy.

In the case of the Western Region, despite strong enterprise and employment growth over the past decade, the **Western Region's share of total employment in firms assisted by the state enterprise agencies has declined in the period between 1995 and 2004**. In 1995 the region accounted for 19% of total employment in such firms but this fell to 17% in 2004. Over that period the region experienced a higher share of total national job losses than of job gains.⁸⁹

⁸⁷ *Communication to the Spring European Council, 2005, Working together for growth and jobs: A new start for the Lisbon Strategy; Communication to the Spring European Council, 2005, Integrated Guidelines for Growth and Jobs 2005-2008*

⁸⁸ *Department of An Taoiseach (2005), Lisbon Agenda, Integrated Guidelines for Growth and Jobs: National Reform Programme, Ireland*

⁸⁹ *Forfás (2005), Annual Employment Survey 2004*

Over half of all employment in assisted companies in the region is in foreign-owned firms. However these figures only relate to manufacturing and internationally traded services firms that receive assistance from the state enterprise agencies. Most other areas of employment, in the primary sector, construction and local services, are in Irish-owned enterprises. Indeed much of the employment growth over the current decade has been driven by indigenous enterprise (see section 2.4 for details of the employment patterns in the region).

The achievement of more regionally balanced development will depend upon the successful growth of enterprises within the region and this in turn will be driven by R&D, human resource development and access to finance.

5.2.2 What are the current issues with enterprise and employment?

The issues facing enterprise in the region clearly differ across sectors and are also affected by ownership and enterprise size. However there are also a number of areas where enterprises share common concerns. **Infrastructure** is one such area. While the relative importance of different types of infrastructure varies across sectors (e.g. surface transport infrastructure for manufacturing firms, higher speed broadband for internationally traded services firms), weaknesses in the region's infrastructure disadvantage all firms located here. This issue has been discussed in detail in section 4.1. Three of the other areas that impact upon all firms and sectors in the region are R&D, human resource development and access to finance.

5.2.2.1 Research & development, knowledge & innovation

The higher education research infrastructure of the region consists of one university – NUI Galway, three Institutes of Technology – Letterkenny, Sligo and Galway-Mayo and the Galway-based Marine Institute. Parts of the region also fall within the catchment areas of the University of Limerick and Athlone Institute of Technology. Also, particularly for Donegal, the University of Ulster in Derry plays an important role.

The higher education institutions in the region have particular research expertise in the areas of biomedical engineering, ICT, marine and environmental science. These areas are closely allied to the industrial structure of the region, notably the Western Region's particular strengths in: medical devices (in which firms are quite widely distributed across the region) (see ANSAméd and Proxy Biomedical p. 80 and 84); ICT activities which are concentrated in counties Galway and Clare; and the marine sector. This research expertise, however, is predominantly found in NUI Galway with the other higher education institutions accessing very little, if any, publicly funded research grants.

This has contributed towards the creation of a distinct spatial pattern in the knowledge base of the Western Region, with **knowledge generation primarily concentrated in the south**. The relative economic success of the south of the region (Clare and Galway) has resulted from, and in turn contributed towards, the creation of strong interlinkages between enterprises and also with the higher education sector. Meanwhile, the **northern part of the region is predominantly a knowledge taker**, being more rural in nature and with a higher dependence on more traditional areas of manufacturing e.g. food processing, textiles, engineering. These sectors tend to be less involved in their own R&D activity, although they can be significant users of knowledge acquired through other means such as acquisition of capital equipment, licensing of new technology and so on.

5.2.2.2 Human resources

In terms of human resource development, while there is a high level of participation in third level education, less than half of the graduates from the region find their first employment within the region (see Table A10 in the Appendix). This has contributed to a situation where 22% of the workforce in the region has a third level qualification compared with 26% in the S&E.⁹⁰ Forecasts indicate that third level graduate employment is going to become even more concentrated in the Dublin/Mid-East region in the future.⁹¹ This represents one of the biggest challenges facing the Western Region.

There is a **lower level of educational attainment among the workforce in the West** overall. This is linked with the employment structure – a higher share employed in the primary sector, construction and traditional manufacturing – and underlines the importance of upskilling of the existing workforce.

5.2.2.3 Access to finance

Access to finance, and specifically venture capital, is considered one of the key drivers of enterprise development. The ESG identified the problem of accessing risk capital during the start-up phase as a major barrier to enterprise development. It noted that there was market failure in the provision of risk capital, as the wider social and economic benefits that such investment produced were not captured by private investors, and that this meant that there was a case for state intervention in this market.⁹² The Western Investment Fund operated by the WDC was set up to address the equity gap in the seed and early development stage of new enterprises in the Western Region. This is discussed in section 5.3.

5.2.2.4 Industrial enterprises

Traditional manufacturing, including food and drink, textiles and engineering, is a more important employer in the region than nationally and is facing particular challenges. The share of employment accounted for by this sector is declining. As noted in section 2.4 certain western counties have a high dependence upon certain elements of this sector, notably the food and drink sector in Roscommon.⁹³ **The vulnerability created by such a concentration of employment in a single sector is starkly illustrated by the decline of textiles in Donegal.** The economic and social impact that the traditional manufacturing sector actually has on the regional economy is even more extensive as it tends to be dominated by Irish-owned enterprises, spatially dispersed across the entire region and typically uses raw materials with relatively low import content.

⁹⁰ CSO, *Census of Population 2002, Volume 7*

⁹¹ FAS/ ESRI *Manpower Forecasting Studies, (2004) Occupational Employment Forecasts by Region for 2010*

⁹² Enterprise Strategy Group (2004), *Ahead of the Curve: Ireland's Pace in the Global Economy* (p. 35)

⁹³ See Morgenroth, E (2005), *European Integration, Regional Structural Change and Cohesion in Ireland*, EURECO and Gleeson, AM, Ruane, F, and Sutherland, J (2006), *Public Policy, Sectoral Specialisation and Spatial Concentration: Irish Manufacturing 1985-2002*, paper presented to the Statistical and Social Inquiry Society for a discussion of spatial and sectoral concentration of manufacturing employment.

Attempts to develop and adopt new approaches and technologies within the traditional manufacturing sector are likely to be constrained by greater rigidities within the organisational structures, an older age profile among the workforce and relative weaknesses in business management skills. Added to this is Ireland's declining cost-based competitiveness which is leading to a shift of labour intensive manufacturing production to lower cost locations. **The future development of the traditional manufacturing sector in the region will depend upon a greater focus on innovation** and there are some very successful examples of companies adopting this approach (see JFC Manufacturing p. 57).

The Western Region also has a number of strengths in the **high-tech manufacturing** sector, notably in the health care industry (medical technologies and devices (MTD) and pharmaceuticals). These include a skilled workforce – ranging from operatives to managers – with experience in a highly regulated and complex industry. **A number of MTD firms are clustered in the region and they have developed a strong international reputation and spawned a supplier industry made up of both multi-national and indigenous firms.**⁹⁴ A key challenge is to sustain and build on these strengths in an increasingly competitive international environment. See case studies on ANSamed and Proxy Biomedical on pages 80 and 84.

There is also a certain level of clustering among ICT firms in Galway. The vulnerability that such clustering can create was illustrated by the global downturn in the ICT industry which occurred in the early years of this decade. This had a disproportionate impact on counties Galway and Clare and indeed impacted on the GVA per capita of the West region as illustrated in section 2.3. The extent of this vulnerability is increased by the level of foreign ownership in the high-tech manufacturing sector. In particular, this applies to the lower value, assembly-type operations where labour costs represent a significant proportion of the overall cost structure and which are at greatest risk of relocation to lower cost economies. **The future of the high-tech sector in the region can only be secured by moving towards higher value, higher skilled activities.** In this regard, the research capacity and human resource availability within the region will be central to its future.

5.2.2.5 Service enterprises

The central role that the services sector will play in future economic development is widely accepted. The different elements of the sector however – locally traded, public sector, internationally traded and financial – face very different issues. **Locally traded** services such as construction, retail, hospitality, personal services and real estate are important employers and accounted for about 47% of employment in the region in 2005.⁹⁵ Such services play a particularly important role in the economies of small and medium-sized rural towns and often provide employment opportunities for part-time farmers. These services are very **dependent upon local demand** which is driven by local population size, tourist activity and also the vibrancy of the rest of the local economy. The majority of enterprises within this category fall outside of the remit of the enterprise development agencies.

⁹⁴ ESG (2004), *Ahead of the Curve: Ireland's Place in the Global Economy*; WDC (2004), *Enterprise & Employment in the Western Region: Issues, Challenges and Recommendations*.

⁹⁵ CSO, *Quarterly National Household Survey, Quarter 2, 2005*. This figure refers to those employed in construction; wholesale and retail trade; hotels and restaurants; transport, storage and communications; financial and other business activities. See Table A5 in the Appendix.

Public service employment accounted for 21% of employment in the Western Region in 2005. It has been predicted⁹⁶ that this sector will have the strongest employment growth over the 2001-2010 period. The government programme for relocation of government departments and state bodies will increase the numbers employed in public services in regional locations as well as stimulating demand for local services. The role played by public services employment, particularly in smaller centres, was discussed in section 2.4.5.

There is a strong concentration of **internationally traded and financial services** companies⁹⁷ in the GDA. In particular financial services are highly concentrated in the Irish Financial Services Centre (IFSC).

However the importance of these sectors to the Western Region is also increasing, particularly internationally traded services. There are examples of large foreign-owned enterprises in this sector such as MBNA in Carrick on Shannon, Toucan in Sligo and Pramerica and Pacificare in Letterkenny.⁹⁸ This sector also tends to have a growing level of Irish ownership (see eTeams International and Torc Interactive p. 61 and 79).

Internationally traded services would appear to offer substantial potential for the region as enterprises can be more flexible in terms of location than manufacturing industries. However issues such as the availability of sufficient telecommunications capacity, direct international air access, R&D linkages with third level institutions and access to a large labour pool with appropriate skills can create difficulties for such firms in the region. These firms operate in global markets making international competitiveness the key issue.

5.2.3 How can the current issues be addressed?

The Action Plan for the implementation of the ESG's recommendations has attempted to address a number of these issues. For example FÁS's Training Strategy includes a new emphasis on training for those in the labour force, the 'One Step Up' programme is an example of this. The Skillnets programme has also been extended to 2010. Enterprise Ireland has also implemented a number of new programmes such as enterprise-led networks and the productivity improvement fund for SMEs. The Higher Education Authority's new Strategic Innovation Fund to encourage innovation in the way third level institutions deliver their services is another example.⁹⁹

⁹⁶ FÁS/ ESRI Manpower Forecasting Studies, (2004) Occupational Employment Forecasts by Region for 2010

⁹⁷ Internationally traded services incorporate so-called back office operations (such as payroll, and cheque and credit card clearing), advertising, legal, marketing services, R&D services and software development among others. Financial services incorporate financial intermediation, insurance and pension funding.

⁹⁸ See WDC (2004), Enterprise and Employment in the Western Region, Appendix 3 for case studies of these firms.

⁹⁹ www.fas.ie; www.skillnets.com; www.enterprise-ireland.com; www.heai.ie

While all of these developments are very welcome, the range and complexity of the employment and enterprise challenges, particularly towards the north of the Western Region, suggests the need for a nationally-led initiative of sufficient scale and coherence to address the combined effect of: primary sector decline; dependence on traditional manufacturing industry; structural change in industry; slowdown in the construction sector; the skills base of the region; and out-migration of graduates.

Given that use of ICT, access to knowledge and training, innovation and technology transfer are increasingly fundamental to economic development there is a real need to mobilise private and public resources to address the difficulties of a region that faces substantial challenges in this regard.

The WDC believes that there is a need for a **national initiative focused on the north of the Western Region that brings together knowledge, education and skills training, ICT and networking between third level institutions**. Such a Regional Knowledge Initiative could have a cross-border dimension and should be of sufficient scale and scope as to be capable of delivering tangible outputs within five years. It should be focused on addressing the knowledge, innovation, skills and applied research needs of sectors in the region in a strategic way and positioning it to attract and grow new enterprise. It would require strong leadership and commitment from national government but **should be operationalised by a coalition of interests at regional level** along the lines of the 'regional development coalitions' proposed by NESCC.¹⁰⁰

5.2.4 Proposed measures for enterprise and employment

1. Implementation of the proposed measures for improvements to the transport, energy and communications **infrastructure** outlined in sections 4.1, 4.2 and 4.3 will be critical for enterprise development in the region.

The **Regional Knowledge Initiative** proposed above should encompass the following actions and be targeted at the north of the region:

2. **Strengthening of the research capacity** within the region's higher education institutions in those fields where research competence already exists, particularly those fields of relevance to the regional economy.
3. The role of the Institutes of Technology (IoTs) in applied research and 'education for development' should be strengthened. Funding should be tailored to research and education areas that are regarded as critical to the future of the regional economy and where the region has natural advantages. Funding should be flexible enough to **facilitate enhancement of IoTs absorptive capacity** in the framework of a Regional Knowledge Initiative.

¹⁰⁰ National Economic and Social Council (2005), NESCC Strategy 2006: *People, Productivity and Purpose*, (p. 195)

4. **Networking** between the third level institutions and enterprises in the region should be supported. This approach has been proposed by the ESG, the NESC and the Competitiveness Council among others.¹⁰¹ Networking is recognised as having played a role in the success of Galway city and there now needs to be active support for the development of such networking activity throughout the rest of the region and across the border. The WDC experience is that network development needs proactive focused work by dedicated executives working to a clear set of objectives for regional development.
5. Improving knowledge and innovation capacity through means other than in-house R&D i.e. through business process and non-technological innovation, should also be supported under the NDP 2007-2013. The ESRI has warned of the danger of an exclusive science, technology and engineering focus in R&D investment.¹⁰² **For many enterprises, in particular in the services sector, innovation will not come from technological research and this reality must be built into innovation supports.**
6. A Regional Knowledge Initiative requires a targeted strategy for **human resource development**. This should involve a new approach to knowledge acquisition and **development skills at undergraduate and post-graduate level** in third level institutions. This would be aimed at ensuring that all graduates are competent in the basic skills required for enterprise or other forms of development, such as strategic planning, project management, target setting and so on.¹⁰³
7. It should also incorporate **specific supports for upskilling those currently employed in vulnerable sectors** i.e. agriculture, fishing, traditional manufacturing, cost-based assembly line production. This would improve the skills base within these sectors, and thus assist them to adopt higher value activities. It would also improve the employability of those currently employed in such sectors. Partnership-based local and regional employment strategies as proposed by the National Economic and Social Forum (NESF) could be a useful mechanism in this regard.¹⁰⁴
8. **Improving strategic management, marketing and other skills required for adapting to changing global conditions** should also be a priority, particularly for SMEs in the traditional manufacturing sector.
9. The Regional Knowledge Initiative should specifically **target economically vulnerable areas to provide for economic revitalisation**. This would be geographic areas that have a particular reliance on declining sectors. Specifically this could involve ring-fencing a portion of budgets and developing a tailored programme of activities for identified areas based on social and economic need. Such a measure would attempt to address particular difficulties faced by such areas through specific targeted interventions.

¹⁰¹ Enterprise Strategy Group (2004), *Ahead of the Curve: Ireland's Place in the Global Economy*; National Economic and Social Council (2005), *NESC Strategy 2006: People, Productivity and Purpose*; National Competitiveness Council (2005), *The Competitiveness Challenge 2005*

¹⁰² Economic and Social Research Institute (2005), *Medium Term Review 2005-2012* (p. 102)

¹⁰³ A discussion of this issue can be found in Riordan, B (2005), *Economic Conditions in the 2025 Baseline Scenario, in Rural Ireland 2025: Foresight Perspectives*

¹⁰⁴ National Economic and Social Forum (2006), *Creating a More Inclusive Labour Market, Report 33* (p. xiv)

Torc Interactive Ltd, Muff, Co Donegal – The WDC's Western Investment Fund meeting the need for early stage finance

Torc Interactive Ltd is based in Muff, on the Inishowen peninsula in Donegal. Since its establishment in 1999 the company has developed an innovative and high-end 'middleware' platform for the computer based games market. Torc's flagship product is a 3D rendering 'Instinct Studio' engine which enables interactive 3D graphics to look like high quality animation in computer games.

The funding which the company secured from the WDC's Western Investment Fund (see section 5.3) was critical as the venture capital market for digital media in Ireland is not well developed. Although funding was sought from private venture capitalists to develop the 'Instinct Studio' engine at the pre-commercial stage, the company was not successful in attracting private sector venture capital at that time. The timeline required by such knowledge industries often represents a major barrier for venture capitalists, who prefer to invest at a stage when a company has already developed a commercial product. Therefore the WDC's willingness to invest at a very early stage was critical. A second round of funding from the WIF has enabled the company to lever funding from other sources, thus ensuring that it can launch its product early this year.

The company at present employs 18 people and is expected to employ 35 people in highly skilled jobs in the next three years. Torc's varsity program is a significant contributor in a move towards developing Donegal into the video games capital of the country and producing a skilled workforce in the digital game industry. The company's flagship product will be positioned as one of the most powerful rendering engines in its class, including a new approach of integrated tools that will help to reduce cost, better manage the production process of high end mix generation games and aims to become the best graphics technology product on the market.

Torc has established strategic linkages with four third level education institutions. This has resulted in the design of an educational 'varsity' version of its software for use in third level institutions, helped to create new third level courses in games production techniques, and built a web-based support forum for a gaming technology incubator project at North Western Institute for Further and Higher Education (NWIFHE). Torc is also a partner in an incubator model being developed by Northern Ireland Business and Innovation Centre (NORIBIC) to complement its college activities.

Torc represents a highly innovative knowledge-based industry which remains committed to high growth, locating in Co Donegal, creating valuable employment and developing third level education linkages.

ANSamed Ltd, Boyle, Co Roscommon – The Challenge of Attracting Staff

ANSamed was established in Boyle, Co Roscommon in 1992 as an IDA-supported subsidiary of a US medical devices company, but in 2001 it was bought by the Irish management. ANSamed produces precision medical devices in particular tubing for the interventional cardiology, radiology, urology, gastrostomy and neuro-radiology fields. They employ 63 staff in Boyle and their main customers are in Germany, the UK and Ireland.

ANSamed employs staff at both operative and engineer level, their experiences have been very different with both. Semi-skilled staff at operative level tend to be recruited from the local area and there is a high level of loyalty and a very low turnover among such staff. Due to their location however it is more difficult to recruit staff at engineer level. They find it difficult to attract and retain experienced medical device personnel to the area as much of the medical device technical expertise is in Galway. Costs of recruitment for technical staff are quite high and retaining staff is a key concern.

Infrastructure weaknesses are the main challenge of their location and this is also linked to some of their staff problems. If staff do not relocate to Boyle, they have to commute and the road structure is poor. The poor road infrastructure also impedes their customer interactions. Customers need to visit frequently particularly at development stage. Many are based in mainland Europe and fly to Dublin or Shannon. The road from Dublin is good, the development of the M4 has improved access and it is now just a two hour drive to the capital. Access from Shannon however is an issue. They consider that improved services from Ireland West Airport Knock and Sligo airport would be a major benefit. Broadband is another issue, while they do have broadband in the company they now require faster speeds.

R&D plays a key role in enabling them to remain at the cutting edge of their sector. The majority of hospital admissions are now on a day-patient basis so medical devices need to become less intrusive driving an urgent need for greater R&D. They collaborate with Queens University in Belfast, University of Limerick and some of the Dublin universities in relation to materials testing. Previously they worked very closely with the Polymer Development Centre at Athlone IT for plastics testing etc, however they now work more closely with Queens University. In order to ensure a high level of quality students they consider it important that the plastics course at Athlone IT is promoted. The number of students taking this course has declined substantially reducing the number of potential graduates available to the company.

5.3 Venture Capital in the Western Region: The WDC's Western Investment Fund (WIF)¹⁰⁵

5.3.1 The significance of seed and venture capital

The availability of an equity and venture capital market to support innovative businesses with high growth and job creation potential is central to achieving the goals set in the Lisbon Agenda. Although the Irish Government recognises that access to venture capital and private equity funding is vital if knowledge-based businesses are to be created and grown in Ireland,¹⁰⁶ access to finance, in particular in the early stages of development, remains an issue for Irish enterprise.¹⁰⁷ A recent study by the Irish Venture Capital Association (IVCA) found that Ireland had a much lower level of venture capital investment as a percentage of its GDP (0.042%) than the U.S. level of 0.2% and the European average of 0.1%.¹⁰⁸ In addition, this study found that 28% of total Irish indigenous spend on Business Expenditure on R&D (BERD) was undertaken by IVCA backed high technology companies and that graduates represented 78% of those employed in these companies.

5.3.2 Regional disparities in venture capital

The OECD has found that **venture capital activity tends to be highly geographically concentrated**, be centred on existing areas of economic activity and that regional disparities tend to persist over time.¹⁰⁹ Whilst an estimated €1 billion has been invested by the Irish venture capital industry in the last ten years, significant spatial disparities exist in its distribution. Less than 6% of the total funds invested from 2000 to 2004 under Enterprise Ireland's Seed and Venture Capital Programme were invested in the West and Border areas.¹¹⁰

Awareness is increasing of the need to develop and support entrepreneurship at the local level. Much of the recent discussion on networking revolves around strengthening local relationships for the benefit of individual firms, as well as for regional development.¹¹¹ Difficulties faced by enterprises are often best addressed locally, and spatial proximity to an investment fund may help in the development of positive relationships between promoter and investor.

¹⁰⁵ *The Western Investment Fund is the official title of this Fund however it is now generally referred to as the WDC Investment Fund.*

¹⁰⁶ *Minister Micheál Martin T.D., Minister for Enterprise, Trade and Employment speaking at InterTradelreland's 'Private Equity Conference', 9 March, 2005.*

¹⁰⁷ *Enterprise Strategy Group (2004), Ahead of the Curve: Ireland's Place in the Global Economy; Global Entrepreneurship Monitor Report (2004), Fitzsimons, P., O'Gorman, C., Roche, F., Global Entrepreneurship Monitor Report: How Entrepreneurial is Ireland?, Enterprise Ireland and Forfás*

¹⁰⁸ *Irish Venture Capital Association (2005), The economic impact of venture capital in Ireland, in association with InterTradelreland Equity Network*

¹⁰⁹ *"Even in leading OECD countries, financing has only recently started to diversify geographically, as risk capital markets mature and reach a critical size." Organisation for Economic Cooperation and Development (2001), The New Economy – Beyond the Hype – The OECD Growth Project (p. 10)*

¹¹⁰ *Enterprise Ireland (2005), Seed and Venture Capital Programme, 2000-2006: Report 2004*

¹¹¹ *Enterprise Strategy Group (2004), Ahead of the Curve: Ireland's Place in the Global Economy (p. 72)*

5.3.3 Closing the equity gap: establishment of the WDC's Western Investment Fund

When market failures exist in the provision of risk capital to start-ups there is a need for some public sector intervention. This has been recognised by the international Working Group on Venture Capital¹¹² as well as the ESG. It was as a response to failures within the risk capital market in the Western Region, which led to a significant equity gap in the seed and early development stage funding of new ventures, that the Western Investment Fund (WIF) was established. The WIF became fully operational in 2001.

The Fund provides equity or loan finance on a commercial basis to businesses located within the Western Region. It also provides loan finance to social enterprises. The WIF does not provide grant-aid. It is designed to be a revolving investment fund, seeking a financial return and social dividend from each investment and its investment criteria are in line with that of private venture capital funds.¹¹³

At present the WDC is the only Irish state agency that has received EC approval under the State and Risk Capital Communication (SARC) guidelines. This approval allows the WDC to provide equity investment for working capital purposes and to address the market failure which exists in the region.

The WDC can support businesses along each stage of development and investments range from €100,000 to €1 million.¹¹⁴ The majority of projects supported to date are in the seed or early stage of development. This stage of enterprise development is renowned for having difficulty in securing venture and seed capital.

5.3.4 Experience of the WDC's Western Investment Fund

Since 2001, the WIF has invested €17 million in 63 projects in the Western Region and has a further €4 million committed. The companies the WDC has invested in employ or support in excess of 800 full-time equivalent jobs. It is expected that this number will double in the next three to five years as these companies (many of whom are start-ups) develop. Enterprises supported by the WIF employ a high proportion of graduates and other skilled workers. **Indigenous knowledge-based high potential enterprises account for 60% of the WIF's investment portfolio. However the WDC supports a wider range of sectors than most venture capital funds and also includes tourism, aquaculture and social and economic infrastructure projects in its portfolio. 70% of the enterprises supported are located in rural areas outside of gateways and hubs.**

¹¹² To promote the competitiveness of SMEs, the Directorate-General for Enterprise and Industry of the European Commission and the United States Department of Commerce established a working group on venture capital in 2005. Risk Capital Summit (2005), Investing for Growth and Competitiveness: Improving the market for risk capital in Europe. For more information visit: http://europa.eu.int/comm/enterprise/entrepreneurship/financing/docs/working_group_on_venture_capital_final_report.pdf

¹¹³ Details can be found at www.wdc.ie The WDC is a member of the European Venture Capital Association (EVCA).

¹¹⁴ Investments up to €750,000 for enterprises located in Co Clare.

By receiving support under the Fund, entrepreneurs are in a better position to garner support from other financial sources. It is an example of how a government supported equity programme can help to **lever private sources of venture funding**. The WDC estimates that the leverage effect is about 1:3 i.e. for every €1 invested another €3 investment is levered into the region. To date this has resulted in an additional €52 million investment in WIF supported projects.

The provision of venture capital through a regionally based investment fund creates a closer relationship between the project promoter and the WDC and contributes to the development of localised enterprise clusters.¹¹⁵ The WIF has contributed towards the development of indigenous enterprises in sectors in which the region is developing expertise e.g. medical devices, software, silicon design. Two case studies of projects supported under the WIF are presented in this submission, Proxy Biomedical (p. 84) and Torc Interactive (p. 79) which illustrate the role played by the Fund.

The WIF also provides loan finance to **social enterprises** under its Local Investment Fund and is one of only two providers of social investment funds in the Western Region.¹¹⁶ To date this fund has provided over €2 million in repayable loan finance to 25 social enterprises. The projects supported include eldercare and childcare facilities, social housing, sports and recreational centres, community enterprise centres and community tourism projects. In addition to building the level of social capital in the region, these projects improve quality of life and have created or sustained 150 jobs, the majority of which are located in rural areas.

The WDC believes that enterprise development in the Western Region has been enhanced by the operation of the WIF. The NDP 2007-2013 should continue to support the WIF to maintain the momentum that has been created in the region over the period of the NDP 2000-2006.

¹¹⁵ Small enterprises are characterised by their ability to create linkages with other firms and this ensures their flexibility in an increasingly competitive international market. These linkages often manifest in the creation of enterprise clusters where a number of firms locate in the one area, most notably, medical devices in Mayo/Galway and ICT in Galway.

¹¹⁶ The other is Clann Credo. WDC instigated a unique public private partnership with Clann Credo and have a full-time executive who ensures investment in the Western Region.

Proxy Biomedical Ltd, Galway – The WDC's Western Investment Fund supporting development of the West's medical devices cluster

Proxy Biomedical Ltd was established in 2002. The company designs, develops and manufactures innovative implantable medical devices for soft tissue repair, to meet increasing worldwide demand for less invasive devices that speed recovery and restore health. The promoter migrated from the US to Galway to locate in a centre of excellence for the medical device industry and in a location where he could realise his business potential.

The company received WIF support for two key development phases. In 2003 the WDC invested at the seed stage and this funding allowed the company to lever an additional €700,000 which included participation by a number of business angels with industry relevant backgrounds. This seed investment enabled the company to develop proof of concept, working prototypes and animal trials of its products. They consider that the support received under the WIF was instrumental during the early stage of company development in allowing the company to get off the ground, taking some of the risk out of the project and helping to lever funding from other strategic investors.

By early 2005 Proxy Biomedical had successfully achieved its seed stage R&D and business milestones. It had developed two core products which have been clinically tested, finished and commercialised. Both products have received the CE mark and FDA approval, allowing the company access to two-thirds of the world's market. The company's products reduce operating room and procedure time and incorporate sound biomaterials technology to minimise long-term complications and improve patient comfort. The company also trains customers in emerging markets.

The WDC made a follow-on early stage investment in 2005 to bring the company to its commercialisation stage. As part of this funding round the company attracted a strategic investment from Boston Scientific, a major multi-national in the medical devices field.

Proxy Biomedical Ltd has the potential to become a global player in the implantable medical device sector. It has already, in a relatively short period of time, negotiated a worldwide distribution agreement with Boston Scientific, created strategic linkages with NUIG, become a net exporter, and a valuable addition to the cluster of biomedical companies in Galway. The company currently employs 16 people, all of whom are graduates, up to and including PhD level. It anticipates that employment levels will increase to 37 in the next three years. The provision of seed and early stage funding from the WIF contributed significantly to these achievements and to their accelerated pace. It is also important to note that the success of this business presents the WIF with the potential for a significant financial return on its investment which will feed into its revolving investment fund and support further enterprises in the region.

5.4 Organic Agri-Food Sector

5.4.1 Why is the organic agri-food sector important?

While the Irish organic agri-food sector is small, both in production and consumption terms,¹¹⁷ the market for organic produce has shown strong growth over recent years and this is expected to continue in the medium-term. At present Ireland imports up to 70% of some organic commodities and Bord Bia has found that there is scope for expansion in both the home and the export markets.¹¹⁸ Organic agri-food production has the potential to contribute to a vibrant rural economy in the context of declining conventional agricultural activity.

The Western Region has 37% of all organic producers within the state,¹¹⁹ with the main enterprises being cattle rearing and sheep. With its green image, the region is well placed to tap into the organic agri-food market. The WDC has been to the forefront in promoting the need to support the development of this sector and in 2001 produced the first systematic analysis of organic production in Ireland.¹²⁰ The WDC has since been proactively involved in the development of the sector. See section 3.7 and the case study on page 88.

The WDC is aware that support for this sector will primarily be provided from resources outside of the NDP. We have included proposals in this respect in our submission to the consultation on the new Rural Development National Strategy Plan and Rural Development Programme 2007-2013 currently being conducted by the Departments of Agriculture and Food, and Community, Rural and Gaeltacht Affairs.¹²¹ However we believe that certain supports for this sector, particularly in the area of human capital, would fall within the remit of the NDP.

5.4.2 What are the current issues in the organic agri-food sector?

Increasing volumes, quality and consistency to meet market demands is a key issue. The development of the supply base requires a significant increase in the number of new entrants to organic farming – mainly conversion by existing conventional farmers. Processors will not enter the market until there is access to an adequate supply base. This also requires the **highest production standards** in order to maintain consumer confidence in the integrity of organic food.

A deficit in **knowledge and information** has been identified as a problem that affects several aspect of the sector and threatens to inhibit growth.¹²² One element of this is the weakness of the **market information** that is available to organic farmers, growers and processors.

¹¹⁷ *The Census of Organic Production 2002 gave the total land area involved in organic production as 0.7% of all agricultural land, involving 923 producers.*

¹¹⁸ *Bord Bia (2004), Report on Prospects for Organic Food in Ireland.*

¹¹⁹ *Department of Agriculture and Food, Census of Irish Organic Production 2002.*

¹²⁰ *WDC (2001), Blueprint for Organic Agri-Food Production in the West.*

¹²¹ *A copy of this submission is available at www.wdc.ie.*

¹²² *Report of the Organic Development Committee, April 2002, (p. 29).*

There is a need for **co-operation and co-ordination** at all stages of the organic agri-food chain. This could be achieved through the development of effective partnerships in order to improve performance and respond effectively to consumer demand.

These key challenges for the development of the sector were outlined in 2001 by the WDC and in 2002 by the Organic Development Committee.¹²³ The report of the Agri-Vision 2015 Committee considered that the limited response by Irish farmers to the economic opportunities in organic production was due to the substantial **cost of switching to organic production systems** and the relatively **underdeveloped marketing structures** for organic produce in Ireland.¹²⁴

5.4.3 How can the current issues be addressed?

For the sector to progress, the current challenges need to be actively addressed. A proactive development approach is required if the targets set down by the National Organic Steering Committee (NOSC) in the National Action Plan are to be achieved. To ensure supports are effective and accessible to the target groups, programmes should be delivered, where possible, through **proactive development approaches**, operating in the context of the locality and region. This approach is necessary as the sector is relatively immature and there is a need for the existing capacity and skill levels within the sector to be enhanced as well as a need to encourage new entrants. Addressing the issues in the organic agri-food sector should include the following:

- Strategic actions identified by the NOSC and its sub-groups should be funded through a **ring-fenced multi-annual funding mechanism** in order to progress the National Action Plan and give a coherent impetus to the development of the sector. This mechanism could be channelled through the Organic Unit of the Department of Agriculture and Food.
- A **partnership approach to initiatives**, in order to optimise the use of the resources available to the sector, should be supported. A partnership approach will help achieve greater economies of scale for small-scale producers and capitalise on the expertise currently available within the sector. Such partnership initiatives should be supported through multi-annual budgets to allow for long-term strategic action plans (see Atlantic Organics p. 88).

5.4.4 Proposed measures for organic agri-food sector

1. The National Action Plan developed by the NOSC contains proposals to tackle the issues currently facing the sector and **dedicated financial resources to implement this Action Plan** should be the main priority for this sector under the NDP.

¹²³ Report of the Organic Development Committee, April 2002.

¹²⁴ Report of the Agri-Vision 2015 Committee, December 2004.

2. **Research and Development** is a key factor in development of the organic agri-food sector. As with all enterprises, continual product innovation and market information are key drivers of competitive advantage, especially given organic agri-food's niche market positioning. New production information and technologies are required to allow expansion and increase production and processing capacity. The NDP 2007-2013 should include support to increase the range and quality of R&D within the organic agri-food sector and also to facilitate the diffusion of the results of R&D conducted in Ireland and overseas.
3. **Diffusion of knowledge** is required at a range of levels, from production to business development and marketing. The current programme of demonstration farms needs to be greatly strengthened and additional resources allocated. Advisory services have a key role to play in the transfer of information and practice.
4. Enhancing **human capital** within the sector through mentoring, training, networking, education and advice is central to future development. Skills enhancement is required in all areas of the sector. Support for human capital development should also include proactive assistance for co-operative development, collective production, marketing, and value-added food production. The Western Organic Network is a successful example of a training network within the sector (see case study on page 88).

Atlantic Organics Ltd and the Western Organic Network – Developing Organic Agri-Food in the West

Atlantic Organics Ltd, a private sector led cross-border partnership initiative to drive the development of the organic agri-food sector, was established in 2004. It represents over 150 organic producers spread across Roscommon, Donegal, Leitrim, Fermanagh and Derry. Its board includes representatives of the North West Organic Co-operative, the Organic Centre, and Leitrim Organic Farmers Co-operative. The Western Organic Network (see below) and the WDC have observer status on the board.

Atlantic Organics evolved out of the Western Organic Strategic Initiative (WOSI) which was established in order to drive the implementation of the recommendations of the WDC's 2001 report *Blueprint for Organic Agri-Food Production in the West*.¹²⁵ WOSI's objectives included increasing the level of information, training and advice to the organic sector, improving and developing supply base linkages, significantly increasing the volume of production, improving the quality of organic agri-food produce and developing links with the marketplace. It received support in its start-up phase from Leader companies in its catchment area.

Atlantic Organics is a cross-border initiative funded by the Irish Central Border Area Network (ICBAN), with the key objectives of researching, developing and marketing a range of new organic food products across Ireland. The project also supports local producers, facilitates networking among organic agri-food producers, and raises public awareness about the benefits of organic farming.

The company is currently establishing a new brand name and creating the associated packaging and corporate branding materials that will be seen with the commercial launch of the first range of products in the summer of 2006. Test-marketing for the first products is underway at the present time. The end result of the project will be the creation of a sustainable cross-border producer-owned organic food business that will provide a stable market outlet for organic farmers in the region.

Meanwhile the training element of WOSI has developed to become an independent entity the Western Organic Network (WON) which has 133 members. WON's needs-based training and networking activities are funded by member companies and also by the Skillnets programme. WON provided training to 111 participants in 2005. Based on its success, funding has been obtained which will enable WON to continue to deliver its training until the end of 2007.

¹²⁵ *The Blueprint for Organic Agri-Food Production in the West and its background document can be downloaded from www.wdc.ie*

6. Cross-Border Co-operation

Given that three of the seven western region counties are in the Border region, cross-border considerations are of great concern to the WDC. The north of the Western Region has much in common with the western part of Northern Ireland. Both are affected by the existence of the border which cuts many urban centres off from their natural hinterlands and both are vulnerable because of the nature of their economic structure with a high dependence on primary sectors and traditional industry.¹²⁶

Both the NSS and Northern Ireland's Regional Development Strategy¹²⁷ recognise the fact that the future development of the north west of the island will depend upon enhancing economic and social co-operation on a cross-border basis. This is illustrated by the designation of Letterkenny and Derry as a joint gateway under the NSS. The North Western Chambers of Commerce Initiative (NWCCI) has also highlighted the central role that Derry city will play in driving development across the wider region.

The mutual benefits that can be derived from active cross-border activity are also central to the Lisbon Strategy. Ireland's Reform Programme highlights a number of areas where cross-border co-operation can contribute to achieving the goals of the Strategy, namely North/South trade, all-island energy market, electricity interconnection, gas networks, transport infrastructure and tourism.¹²⁸

Relevant cross-border issues have been highlighted throughout the WDC's submission, in particular in relation to infrastructure and productive sectors in sections 4 and 5. The WDC believes that there are a number of areas where the NDP 2007-2013 can make a substantial contribution to fostering greater cross-border activity.

6.1 Road Network

We have identified a number of cross-border routes as investment priorities: the N14/A5/N2 linking Letterkenny to Dublin and the N16/A4 from Sligo to Enniskillen (section 4.1.1). Upgrading of the Letterkenny to Dublin route will also help to counteract the perceived peripherality of Donegal – Letterkenny is in fact closer to Dublin than Cork city. The N13/A6/M2 linking Letterkenny to Belfast is important for facilitating greater cross-border activity.

6.2 Air Access

City of Derry airport serves as the main international access point for Donegal (section 4.1.3). It will play an important role in efforts to enhance tourism activity in the north west of the country. The cross-border role of this airport is highlighted by the recent support provided by the Irish Government for its development.

¹²⁶ *North West Chambers of Commerce Initiative (2003), North West Economic Corridor Study: A prospectus for change by the Private Sector.*

¹²⁷ *Department for Regional Development (2001), Shaping Our Future - The Regional Development Strategy For Northern Ireland 2025.*

¹²⁸ *Department of An Taoiseach (2005), Lisbon Agenda, Integrated Guidelines for Growth and Jobs: National Reform Programme, Ireland.*

6.3 Energy

Given the relatively small size of Ireland's energy market, the creation of an all-island energy market through the All-Island Project presents considerable opportunities, creating a larger energy market with the potential for greater competition and making the island a more attractive location for new generation investment (section 4.2.1).

There are also opportunities for the planning of energy infrastructure on an all-island basis, for example, by increasing the use of the Letterkenny-Strabane and Enniskillen-Corraclassy (Co Cavan) interconnectors to support transmission infrastructure in the north west. There remain opportunities for linking gas networks (for example from Donegal¹²⁹ to Coolkeeragh (Co L'Derry)) which can provide both economic development and security of supply benefits.

The development of the all-island energy market presents particular opportunities for the development of the renewable energy sector. This was emphasised in the submissions to the recent consultation on the issue.¹³⁰ At present Donegal has the largest wind energy generation capacity in the country which reinforces the importance of enhancing cross-border developments in the energy market.

6.4 Tourism

Tourism is one of the areas with considerable cross-border potential. The NWCCI has identified tourism as one of the major drivers for the economy of the north west of the island. In terms of the Republic, the North West tourism region has had the poorest performance in recent years with a 19% decline in overseas visitor numbers and an 8% decline in overseas revenue between 1998 and 2004.¹³¹ There is an urgent need to revitalise the tourism industry in this area (see section 5.1) and Tourism Ireland has recently launched a marketing campaign for the wider north west area. However marketing alone will not be sufficient and a cross-border product development strategy for the tourism industry in the north west is urgently required. Examples such as the Green Box project (p. 71) should be built upon and the NDP 2007-2013 should support such cross-border product development initiatives in tourism.

¹²⁹ DCMNR are currently commissioning a project to examine the feasibility of extending the gas transmission network from the Mayo-Galway pipeline to Donegal Town.

¹³⁰ Department of Communications, Marine and Natural Resources, and Department of Enterprise, Trade and Investment, Northern Ireland (2005), *Summary of Consultation Responses to All-island Energy Market: Renewable Electricity – A 2020 Vision*

¹³¹ Fáilte Ireland, *Region Fact Sheets 2004*

6.5 Higher Education and Research

There is already considerable cross-border activity in the higher education sector. There is a high level of participation by Donegal students in third level education in Northern Ireland,¹³² also InterTradelreland's website www.expertiseireland.com has details of ongoing research and expertise in all nine universities on the island and allows companies to locate necessary expertise. As illustrated by the case studies on ANSAMED (p. 80) and Torc Interactive (p. 79) there is also significant cross-border activity underway at individual company level. Such interlinkages must be supported and enhanced under the new NDP, for example through support for the Regional Knowledge Initiative proposed in section 5.2.

6.6 Networking

The National Competitiveness Council has stressed the importance of a cross-border approach to the development of networking

Vibrant all-island and cross-border innovation networks will link indigenous and foreign owned companies in Ireland with each other and with customers, suppliers, competitors and research and learning institutions, and will result in Ireland's emergence as a globally recognised 'innovation hotspot'.¹³³

The support for enhanced networking under the NDP 2007-2013 proposed in section 5.2 should include specific measures to encourage the development of cross-border networks.

¹³² Fitzpatrick Associates (2006), *A Review of Higher Education Participation in 2004*, Higher Education Authority.

¹³³ National Competitiveness Council (2005), *The Competitiveness Challenge 2005* (p. 12).

7. Targets and Indicators

Having clear targets before the NDP is drawn up can help to give clarity to the Plan and to the measures within it. It is useful to have both high level and specific time-bound targets against which the success of the Plan can be measured. Measurement of progress (using both indicators and evaluations) is important both in managing the Plan's implementation and also in allowing areas of difficulty to come to light early on.

In this section we briefly consider appropriate targets for the NDP and then examine potential indicators which can be used to measure progress.

7.1 High Level Targets

The NDP 2007-2013 needs to have clear goals which succinctly express the overall aims of the Plan, and what it is trying to achieve, before focusing on the justifications and mechanisms for achieving these. These high level targets (or objectives) are, in effect, the vision of the Plan.

As set out in section 1, the WDC believes that the vision for the development of Ireland for 2007-2013 should include:

- Policy commitment to balanced regional development
- Future population growth, including migration, distributed more evenly across the regions outside the GDA
- Gateway cities with sufficient critical mass to serve as focal points for their regions, as envisaged in the NSS
- Increasing population in small/medium-sized towns in the regions
- Increasing indigenous economic activity in small/medium-sized towns, including significant employment in the public sector and locally traded services
- Rural areas where natural resources are exploited in a sustainable manner and which are well-linked to local centres
- Major improvements in transport and communications infrastructure to facilitate such population and economic growth
- Adequate provision of social services at local level, so that location does not contribute to social exclusion
- Careful planning and management of the environment, including landscape, and of cultural and heritage resources

By first considering the vision or goals of the Plan, it can be easier to develop appropriate measures to achieve these.

7.2 Regional and Specific Targets

Following on from these high level targets for the NDP 2007-2013, there is also a need for more specific targets to be incorporated into the Plan. The WDC recognises that many of these will be specific to the individual policy areas or sectors. We believe, however, that it is important to introduce a set of regional targets for a wide range of government departments and agencies in order to ensure a coherent way of measuring and implementing a policy of balanced regional development. It will also be necessary to strengthen the availability and use of regional indicators, and to ensure participation of regional interests in setting targets and monitoring their achievement. Time-bound targets have been found to be effective in ensuring that projects are progressed efficiently and this can be particularly important for focusing attention on regional projects.¹³⁴

The WDC therefore proposes that the NDP 2007-2013 should:

- Improve and strengthen the use of regional targets across a wide range of government departments and agencies. A number of examples already exist (e.g. IDA, regional tourism target under New Horizons) but regional targets should be expanded to cover a wider range of sectors.
- Ensure that national policies and strategies are regionally/spatially differentiated where appropriate. Currently many programmes are spatially blind and do not take the specific needs of regions into account. National policies and strategies may need to be tailored to the more specific needs of different regions (e.g. rural/urban).
- Time-bound targets should be set for individual projects (such as roads, or other infrastructural developments).

7.3 Indicators

The WDC believes that the development of appropriate indicators is an important element of the process of constructing the NDP 2007-2013. Indicators will not only allow the measurement of progress and success of the NDP, but the selection of indicators inevitably defines what is considered important in the policy and creates targets which will receive particular focus and effort. It is therefore important that particular care is given to choosing the indicators, ensuring that they are not only easy to collect, maintain and monitor, but also that they reflect the priorities of the Plan and that they do not give rise to unintended influences on policy implementation.

The WDC believes that a broad set of indicators should be used to measure regional performance or disparity. Economic measures such as Output and Gross Value Added are very important, although there are difficulties with the timeliness of their availability, and also with the size of region for which they can reliably be produced. Nonetheless they are key indicators, as are various labour force and income indicators. However, we feel that measures of balanced regional development should also take account of social cohesion and sustainability issues and so include measures of social, environmental and human capital, as well as indicators of the health of various sectors such as agriculture, industry, services, innovation and knowledge.

¹³⁴ See Fitzpatrick Associates (2002), *Evaluation of Investment in the Road Network and their critique of the lack of time-bound targets*.

The WDC would also expect that specific indicators should be associated with each measure, as in the previous NDP, but it is important that these indicators are as closely related to the actual focus of the measure as possible. Where such indicators are set at too high a level it can be difficult to directly relate changes in the indicators to the specific measures.

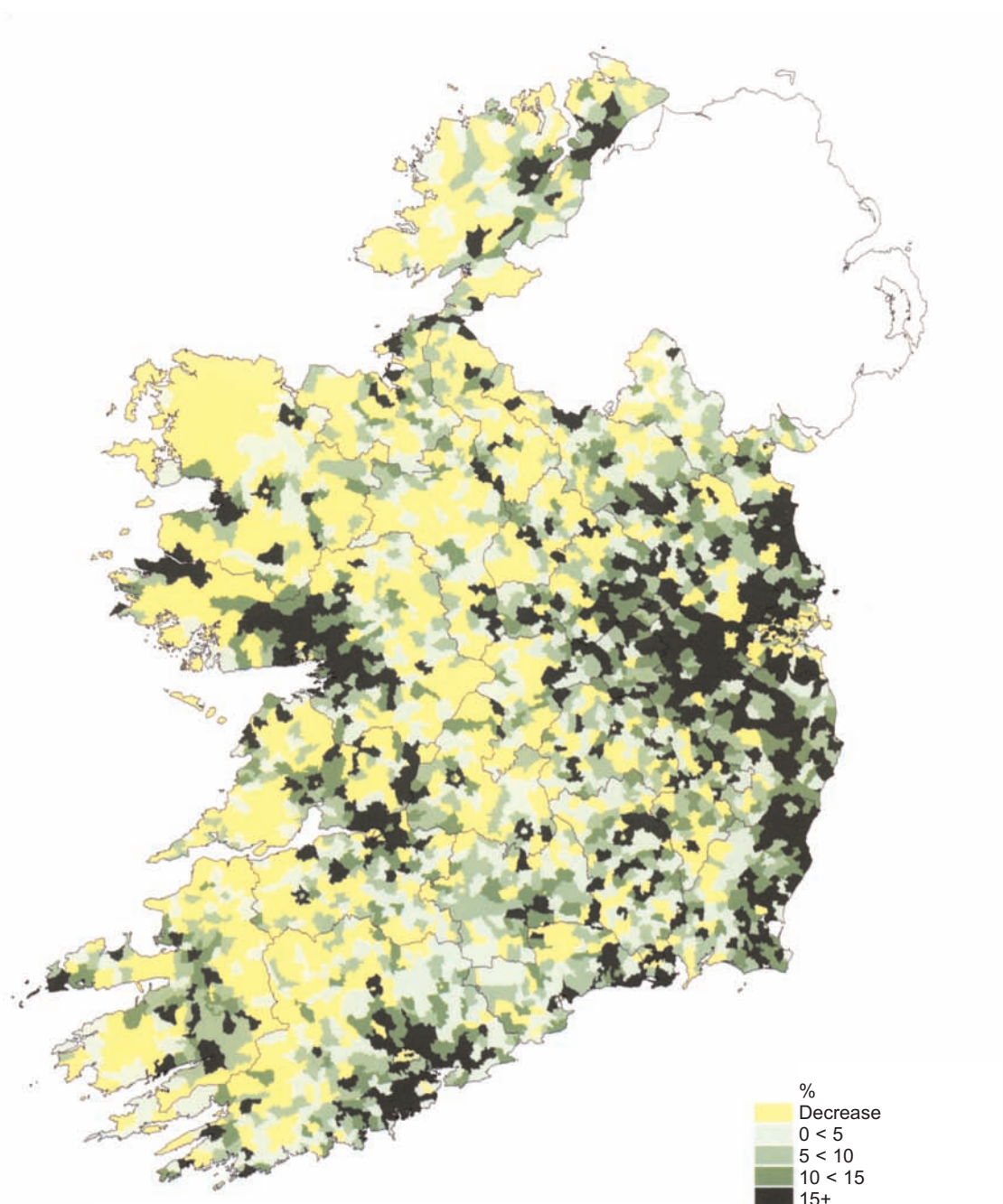
7.4 Evaluation

In addition to the use of indicators for the management of the NDP it is also important that there is regular and robust evaluation of both individual programme elements, and of horizontal issues as well as the evaluation of the achievement of higher level goals (such as balanced regional development, competitiveness etc.). There is a need for different types of evaluation depending on the questions being asked. Process evaluation can aid understanding of the success or failure of programmes and provide useful tools for managing the programmes. Outcome evaluations (rather than ones which focus on outputs) are also important and need to be able to take into account broad issues which the programmes are designed to tackle.

Such evaluation should also permit change and adjustment to measures and budgets in response to identified problems e.g. shortfalls, underspends, over the course of the NDP 2007-2013.

Appendix

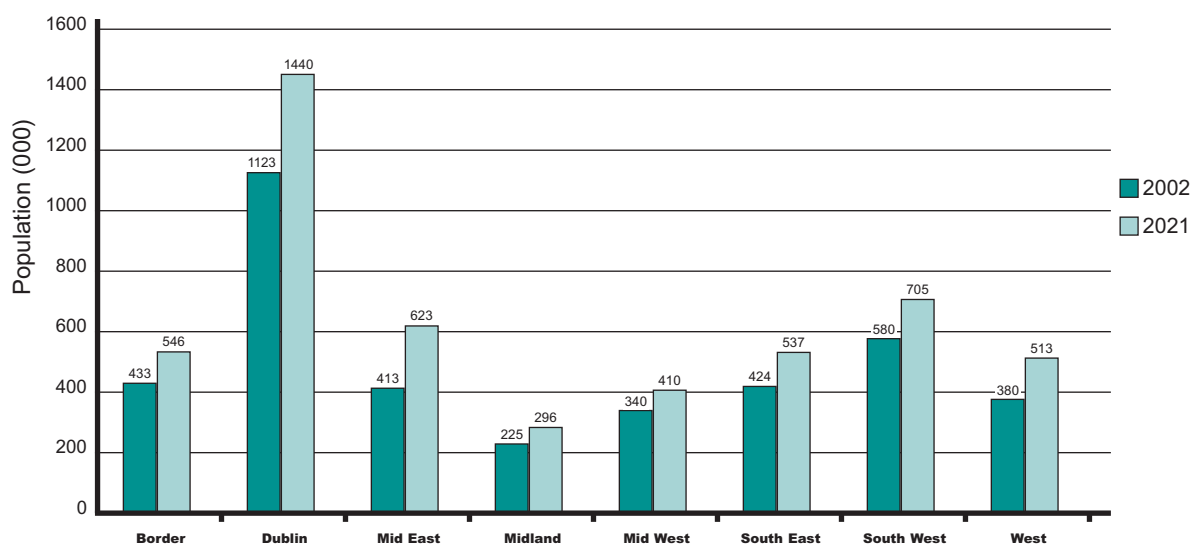
Figure A1: Percentage change in population of Electoral Divisions, 1996 - 2002



Reproduced with the permission of the Ordnance Survey

Source: CSO, Census of Population 2002

Figure A2: Population in 2002 and projected population for Regions in 2021



Source: CSO (2005), Regional Population Projections (2006-2021)

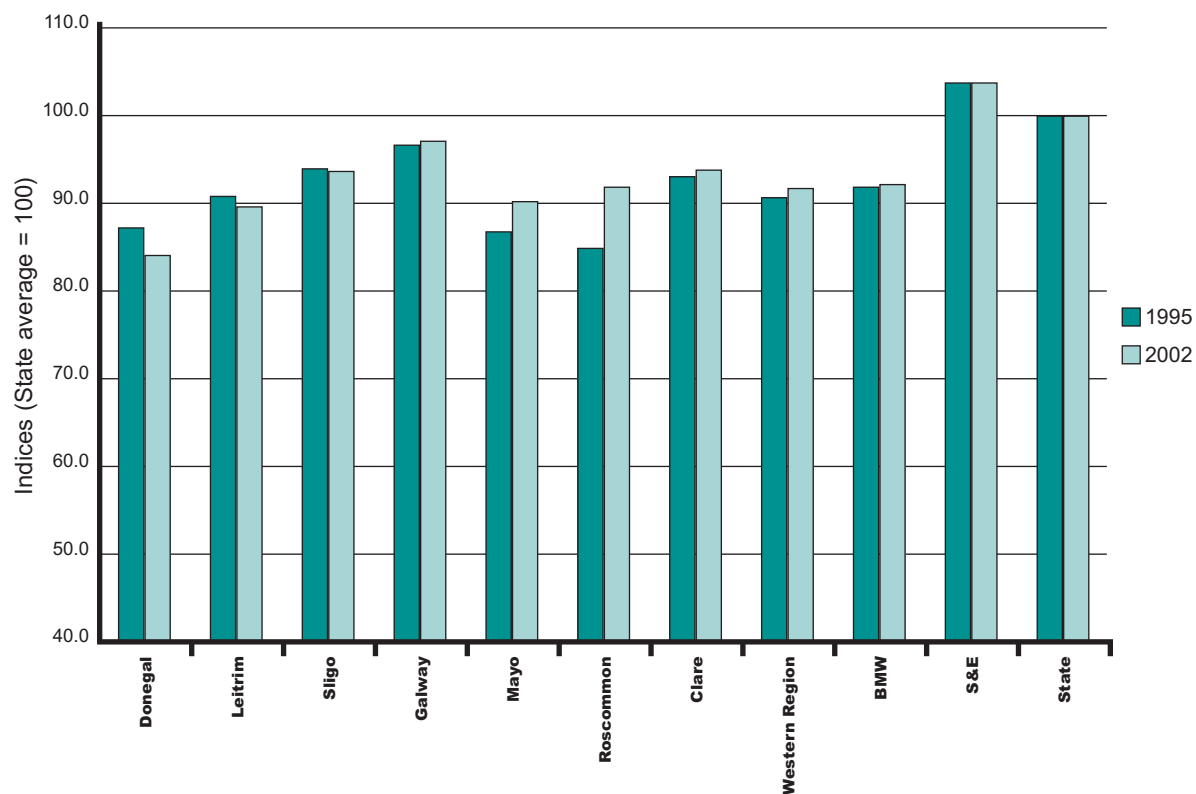
Table A3: Towns with population above 1,500 persons in the Western Region, 2002

Town	Population 2002
Population above 10,000 persons	
Galway City (Gateway)*	66,136
Ennis, Co Clare (Hub)*	22,051
Sligo, Co Sligo (Gateway)*	19,735
Letterkenny, Co Donegal (linked Gateway)*	15,231
Castlebar, Co Mayo (linked Hub)*	11,371
Population 5,000-10,000 persons	
Ballina, Co Mayo (linked Hub)*	9,647
Shannon, Co Clare (linked Gateway)*	8,561
Ballinasloe, Co Galway/ Co. Roscommon*	6,219
Population 3,000-5,000 persons	
Tuam, Co Galway (Hub)*	5,947
Westport, Co Mayo*	5,634
Buncrana, Co Donegal*	5,271
Roscommon, Co Roscommon	4,489
Loughrea, Co Galway	4,004
Ballybofey-Stranorlar, Co Donegal	3,603
Population 2,000-3,000 persons	
Ballyshannon, Co Donegal*	2,715
Kilrush Town, Co Clare	2,699
Donegal Town, Co Donegal	2,453
Carrick-on-Shannon, Co Leitrim/ Co. Roscommon	2,237
Boyle, Co Roscommon*	2,205
Athenry, Co Galway	2,154
Claremorris, Co Mayo	2,101
Population 1,500-2,000 persons	
Bundoran, Co Donegal*	1,842
Castlerea, Co Roscommon	1,788
Gort, Co Galway	1,776
Oranmore, Co Galway	1,692
Carndonagh, Co Donegal	1,673
Ballinrobe, Co Mayo	1,626

Source: CSO, Census of Population 2002

*Population for these towns include the town and its environs.

Figure A4: Indices of Disposable Income per person (State = 100) in Western Region, BMW and S&E regions in 1995 and 2002



Source: CSO, County Incomes and Regional GDP 2002, 23 March 2005 (Table 1)

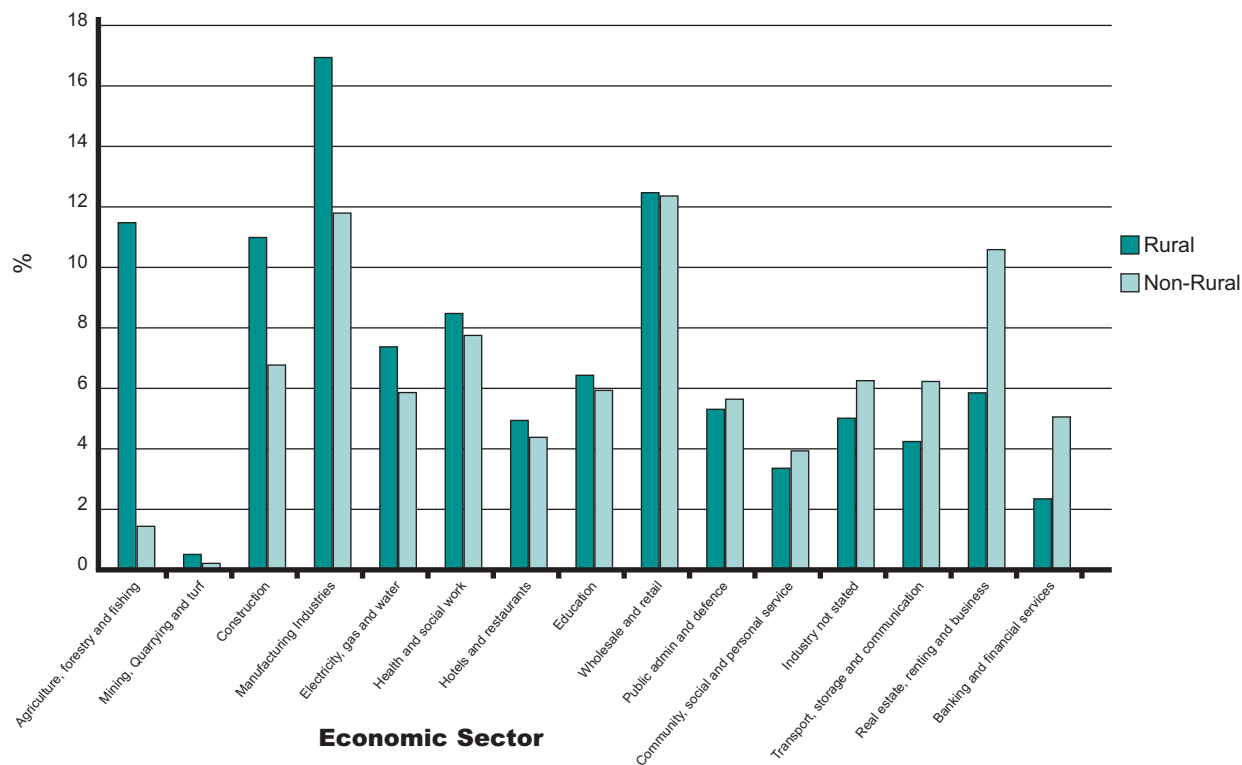
Table A5: Persons in employment (ILO) classified by economic sector and by region 2000 and 2005

Economic Sector	Western Region		Border, Midlands, West		Southern & Eastern		State	
	2000 %	2005 %	2000 %	2005 %	2000 %	2005 %	2000 %	2005 %
Agriculture, forestry and fishing	14.8	10.2	13.7	9.4	6.1	4.7	8.0	5.9
Other production industries	18.4	15.8	20.4	16.5	17.9	14.8	18.5	15.3
Construction	11.8	14.2	11.6	14.5	9.4	11.9	9.9	12.6
Wholesale and retail trade	12.0	13.3	13.0	13.8	14.4	13.9	14.1	13.8
Hotels and Restaurants	6.6	6.1	6.3	6.0	6.5	5.7	6.5	5.8
Transport, storage and communication	4.7	5.1	4.3	4.7	6.6	6.6	6.1	6.1
Financial and other business activities	7.6	8.8	7.0	8.5	14.4	15.0	12.6	13.3
Public administration and defence	4.3	4.7	4.4	5.1	4.8	5.1	4.7	5.1
Education	6.2	6.2	5.9	6.2	6.2	6.5	6.2	6.4
Health	8.8	10.4	8.6	10.3	7.8	9.6	8.0	9.7
Other	4.7	5.3	4.7	5.2	5.9	6.3	5.6	6.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total (000s)	275.0	332.2	407.5	495.5	1,264.0	1,433.7	1671.4	1,929.2

Source: CSO, Quarterly National Household Survey, Quarter 2 (2000 and 2005). Special run.

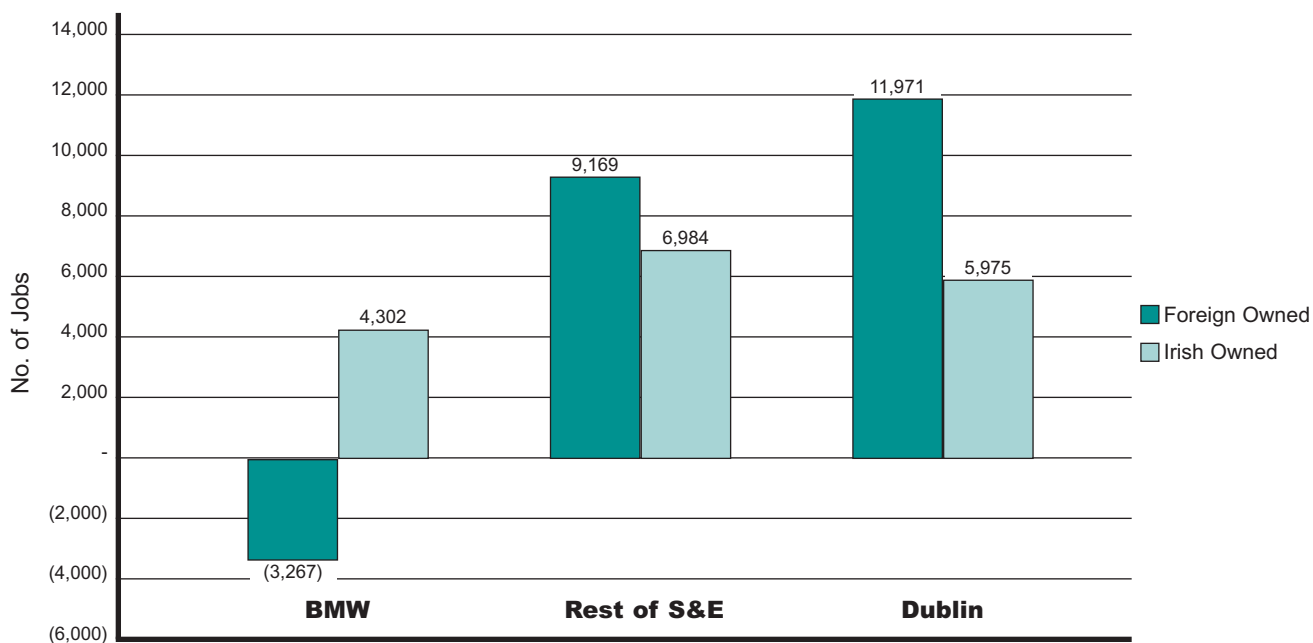
Note: Data may be subject to sampling or other survey errors, which are greater in respect of smaller values (areas).

Figure A6: Percentage of Population in Employment by Sector, Rural and Non-Rural, 2002



Source: Based on data contained in Fitzpatrick Associates (2004), *Review of Enterprise Support in Rural Areas for the Department of Community, Rural and Gaeltacht Affairs*, derived from CSO, *Census of Population 2002*

Figure A7: Net Cumulative Job Creation in Agency Assisted Firms 1998-2004

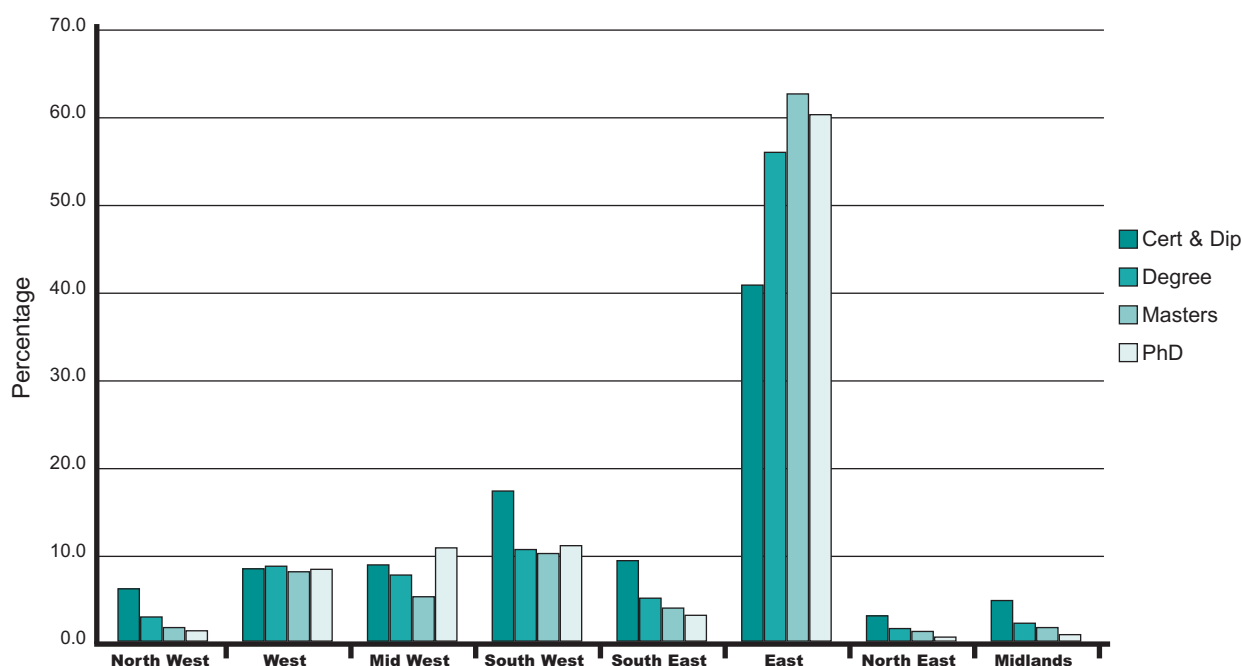


Source: Forfás (2004), *Annual Employment Survey 2004*

Table A8: Government Decentralisation Programme in the Western Region

Town	Organisation/ Agency	No. of jobs
Over 200 staff		
Shannon, Co Clare	Enterprise Ireland	300
Donegal, Co Donegal	DSFA, Dept staff	230
Roscommon	Land Registry	230
Carrick-on-Shannon, Co Leitrim	DSFA, Dept staff	225
100-200 staff		
Claremorris, Co Mayo	OPW staff	150
Knock Airport, Co Mayo	Department of Community, Rural & Gaeltacht Affairs Headquarters	140
Buncrana, Co Donegal	Department of Social & Family Affairs	120
Sligo, Co Sligo	DSFA, Dept staff	100
Shannon, Co Clare	Irish Aviation Authority	100
50-99 staff		
Ballinasloe, Co Galway	NRA	90
Kilrush, Co Clare	Revenue Commissioners staff	50
Fewer than 50 staff		
Clifden, Co. Galway	Pobal	40
Loughrea, Co. Galway	Department of Transport, Road Haulage	40
Carrick-on-Shannon, Co. Leitrim	Central Fisheries Board	40
Gweedore, Co. Donegal	Foras na Gaeilge	30
Ballinasloe, Co. Galway	Railway Safety Commission	20
Furbo, Co. Galway	DCRAGA, Dept staff	10
Loughrea, Co. Galway	National Safety Council	10
TOTAL		1,925

Source: Department of Finance

Figure A9: First Destination of Employment of Graduates by Region* 2002

Source: HEA, *First Destination of Award Recipients 2002*. In 2002 there was a 71% response rate to the survey among primary degree graduates and a 68% response rate among higher graduates.

* The Higher Education Authority regional classification differs from some other organisations: North West - Donegal, Sligo, Leitrim; West - Galway, Mayo; Mid-West - Clare, Limerick, Tipperary NR; Midlands - Laois, Offaly, Longford, Westmeath, Roscommon; South West - Cork, Kerry; South East - Carlow, Kilkenny, Waterford, Wexford, Tipperary SR; East - Dublin, Kildare, Meath, Wicklow; North East - Louth, Cavan, Monaghan

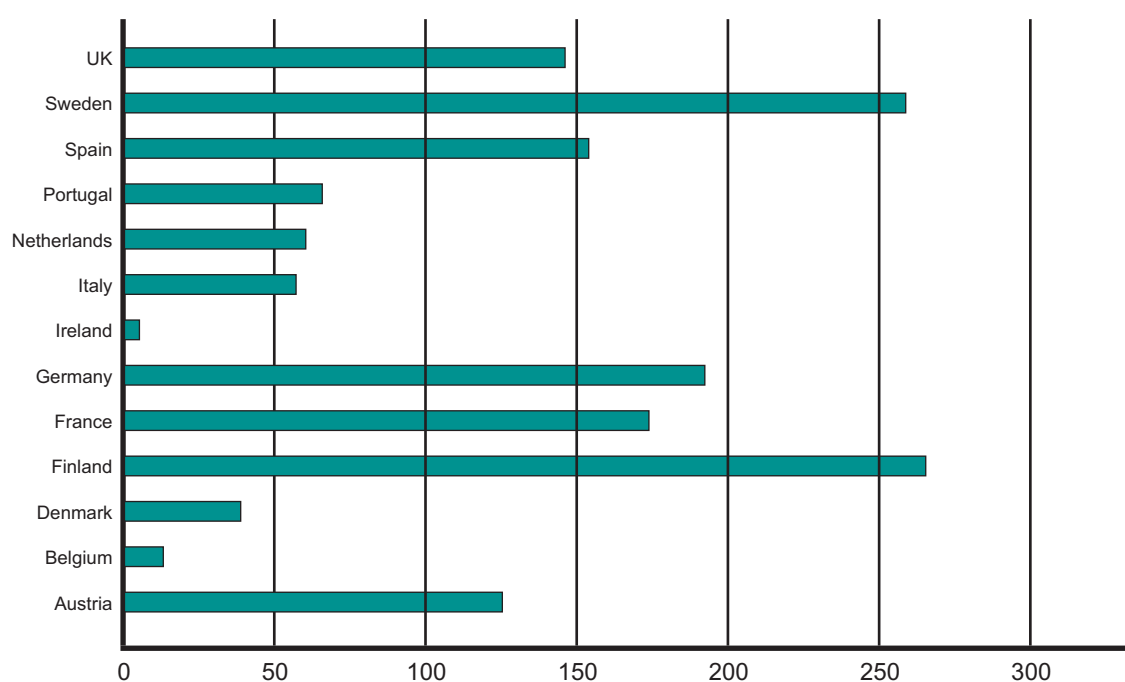
** The figures for Masters graduates includes both taught Masters and research Masters degrees.

Table A10: Employed Graduates by County of Origin and of First Employment 2002

County of Origin →	Donegal	Sligo	Leitrim	Roscommon	Mayo	Galway	Clare	Total (West)
County of Employment ↓								
Donegal	18.5	5.9	-	-	-	-	-	2.6
Sligo	1.6	17.8	9.6	2.6	3.4	0.3	-	2.7
Leitrim	-	-	9.6	1.3	-	0.5	-	0.5
Roscommon	-	-	-	8.9	0.6	0.3	-	0.8
Mayo	-	2.4	3.2	1.3	26.4	1.5	0.6	5.4
Galway	10.5	21.4	3.2	8.9	15.5	44.5	8.0	24.0
Clare	0.8	2.4	-	-	1.2	1.0	21.8	4.4
Dublin	52.4	36.9	48.3	57.6	39.6	35.2	33.9	39.9
Other, Irl	11.2	11.9	25.8	19.2	12.6	16.1	35.5	18.5
Other	4.8	1.2	-	-	0.5	0.5	-	0.9
Total %	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
N	124	84	31	78	174	391	174	1,056

Source: Higher Education Authority, *First Destinations of Award Recipients in Higher Education 2002, Special Analysis for WDC*.

Figure A11: Use of Biomass in Europe, Petajoules per annum



Source: Hoyne, S. (2003), *An Overview of Bioenergy in Ireland - Potential and Barriers*, in Douthwaite (ed.) (2003), *Before the Wells Run Dry: Ireland's Transition to Renewable Energy*

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