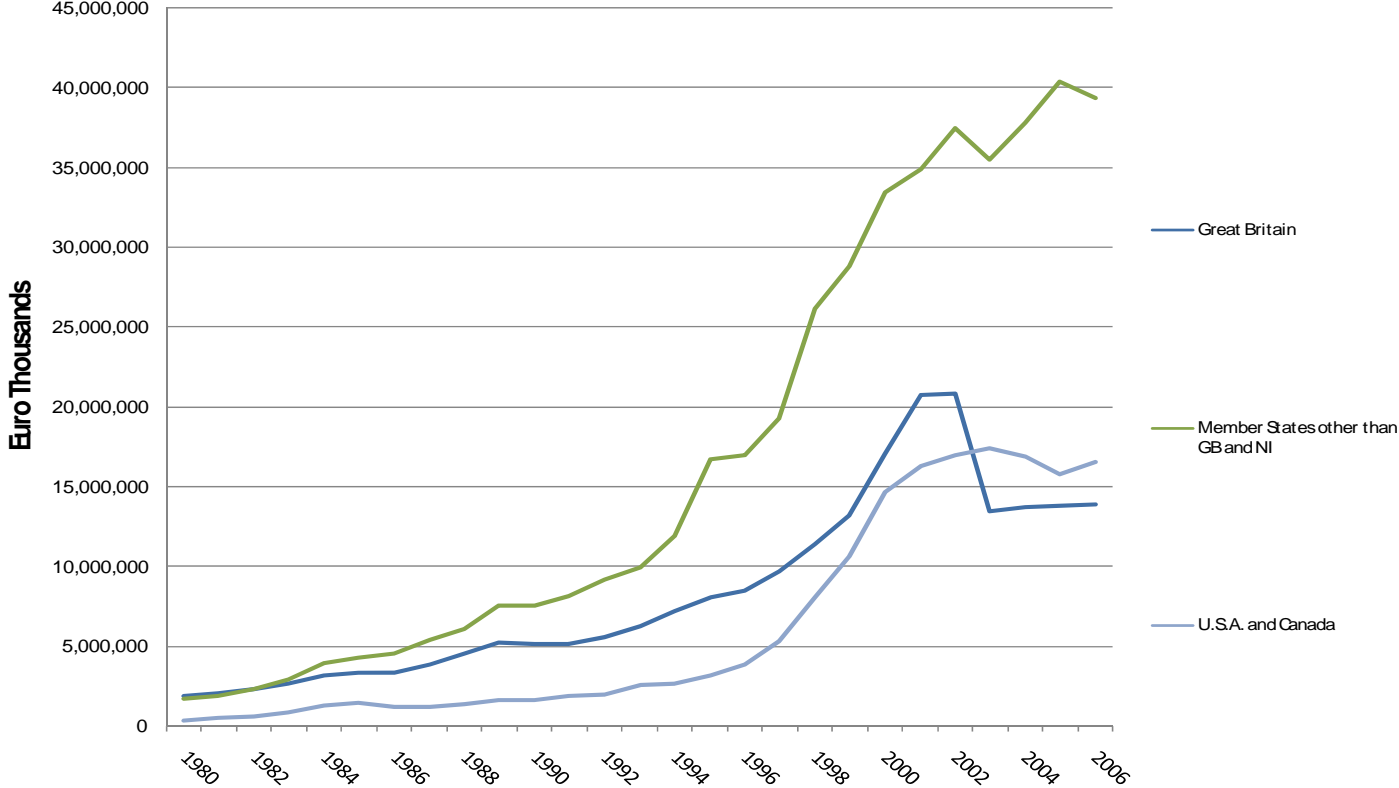


Developments in Irish Competitiveness

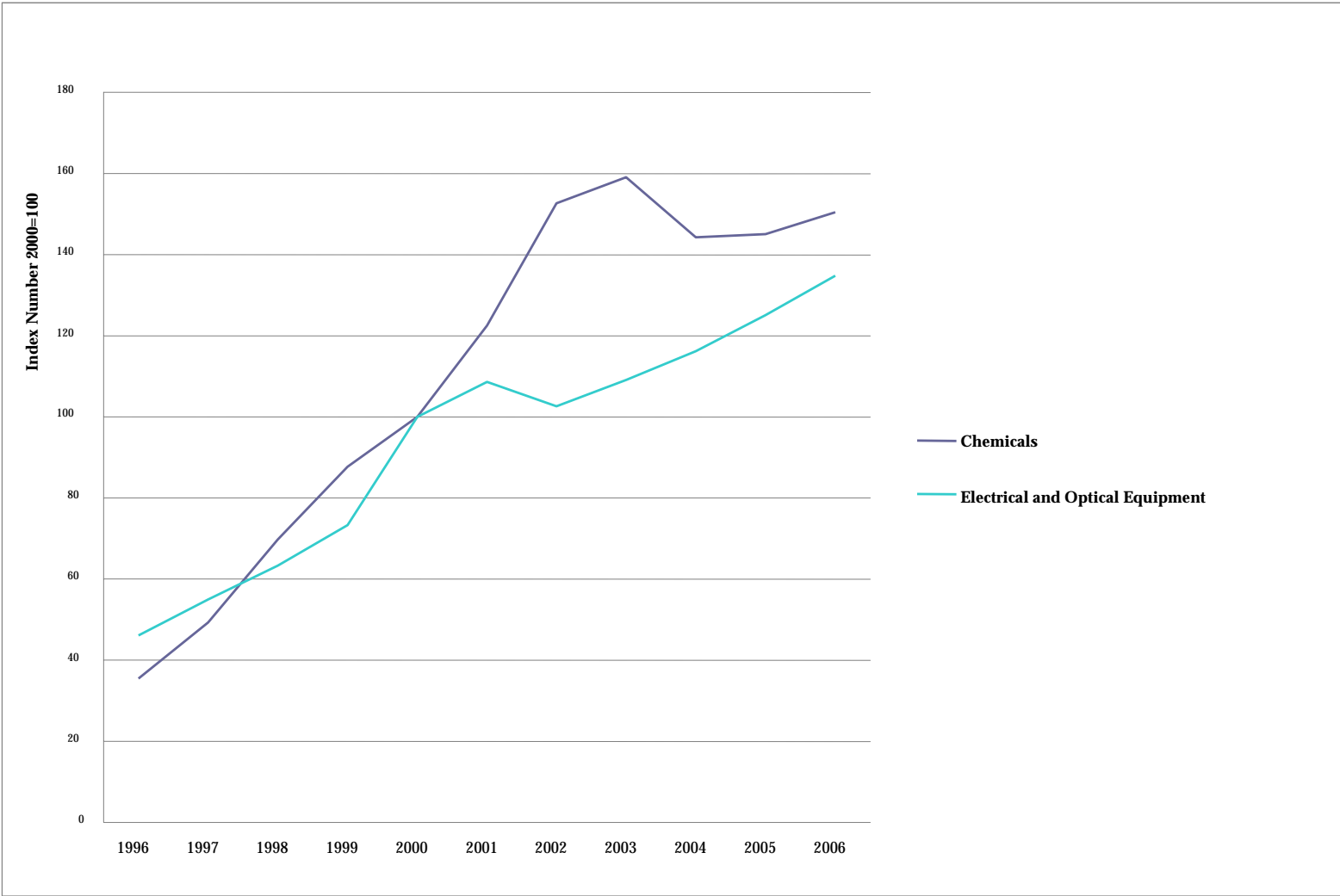
Alan W. Gray, Managing Partner

Indecon Economic Consultants

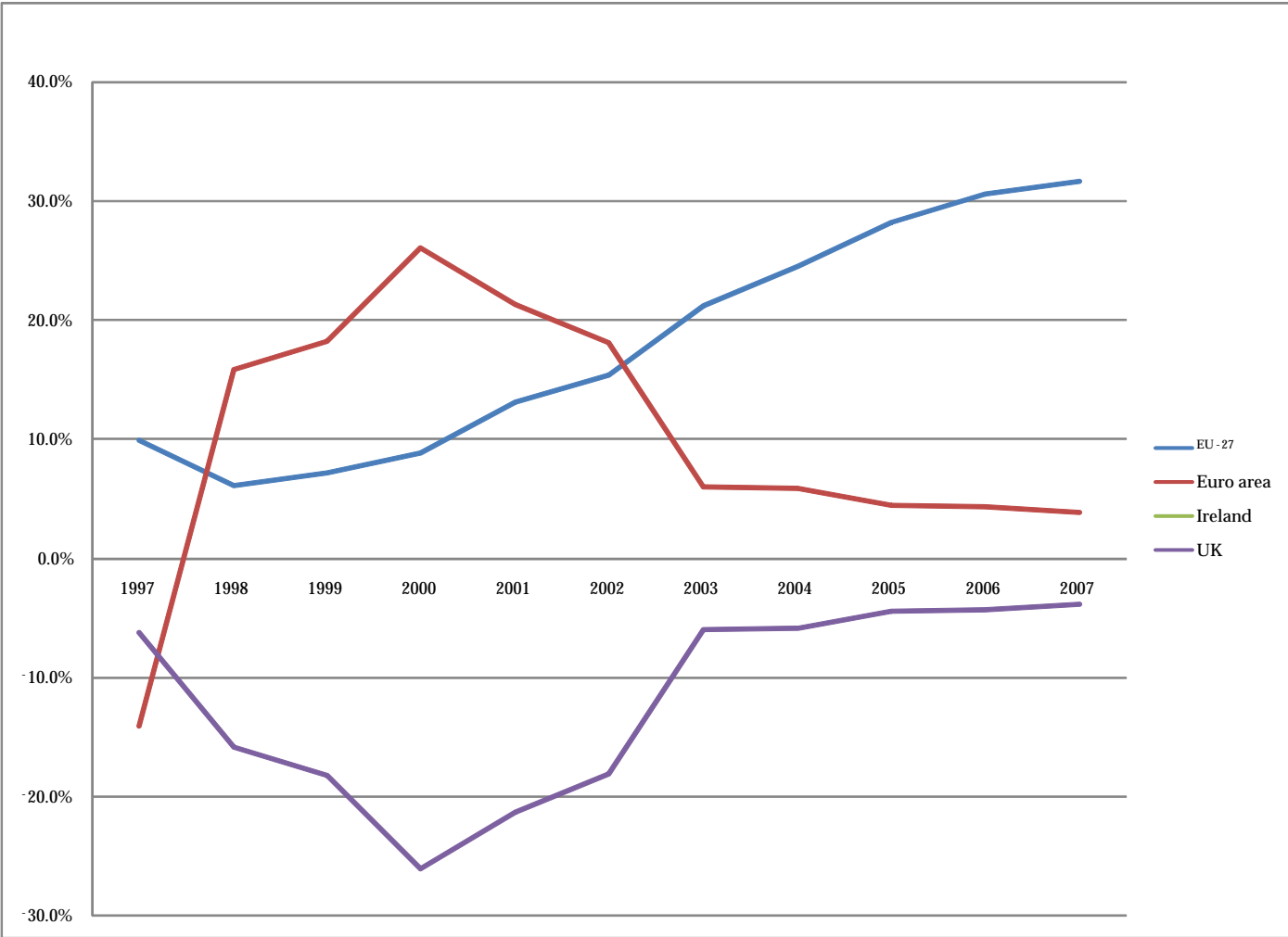
Value of Irish Merchandise Exports by Destination Region (€000s)



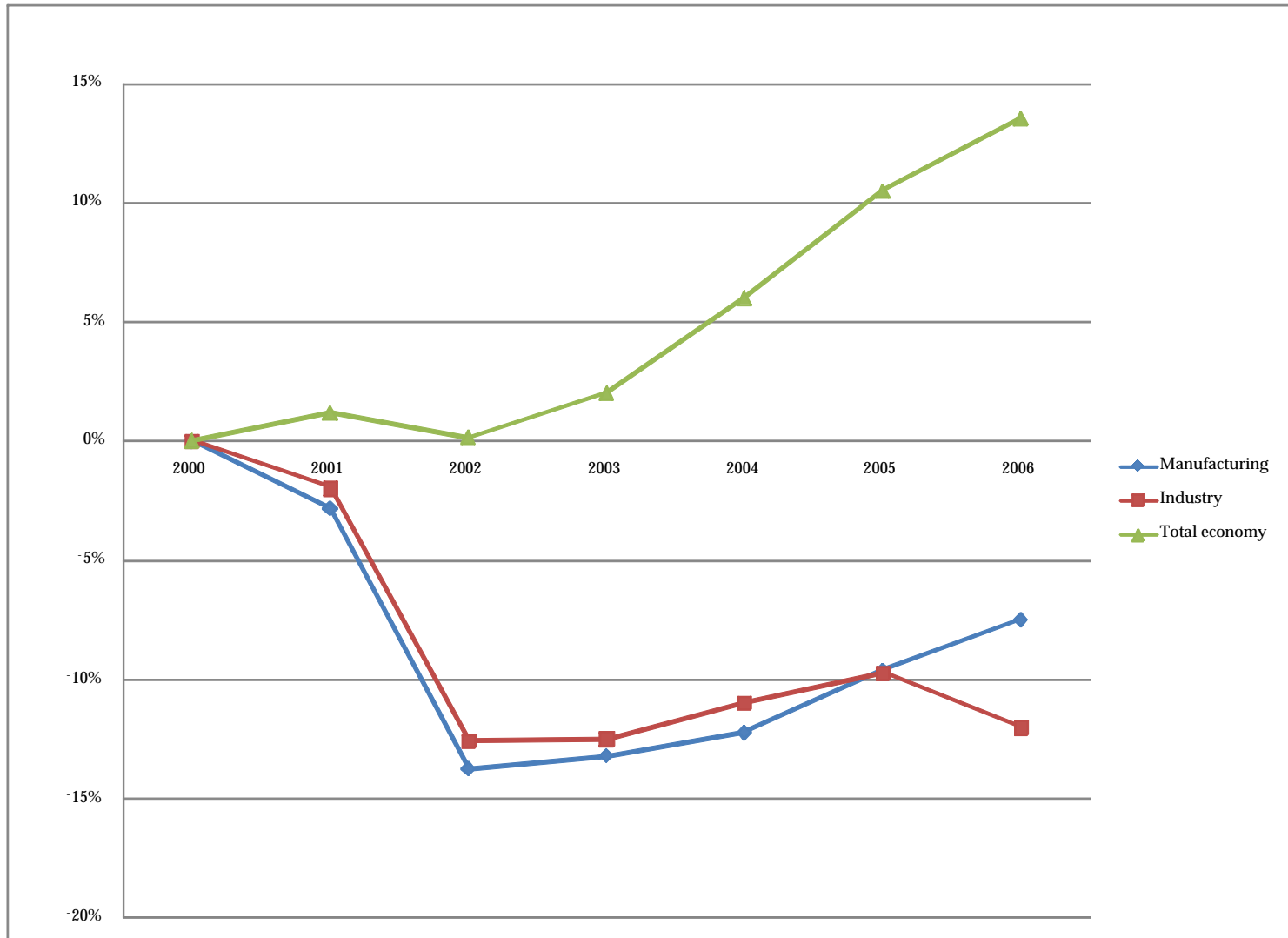
Production Volume Indices



Compensation Per Employee Percent differential Ireland vs UK and EU



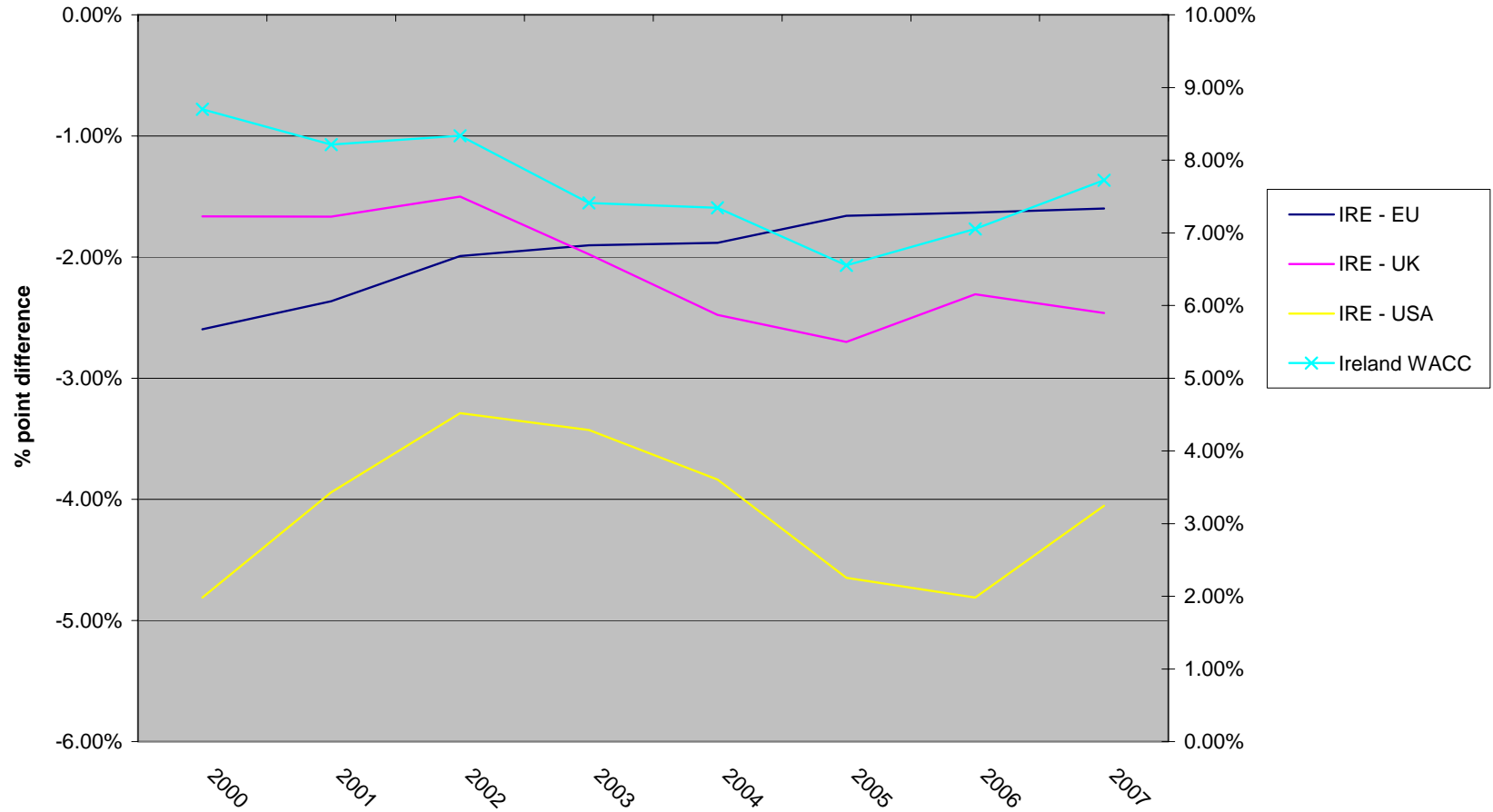
Total Unit Labour Costs Irish Differential with EU



Dublin's Ranking in Non Labour Business Input Costs

	Ranking
Cost of Prime Industrial Sites	6 out of 11
Cost of Office Space	9 out of 11
Electricity Cost for Industrial Users	10 out of 11
National Mobile Telephone Costs	11 out of 11
Internet Costs	7 out of 11
Waste Disposal Costs	10 out of 11
Water Costs	11 out of 11
Accountancy Fees	8 out of 11
IT Fees	10 out of 11
Selected Legal Fees	11 out of 11

Differences in Pretax WACC



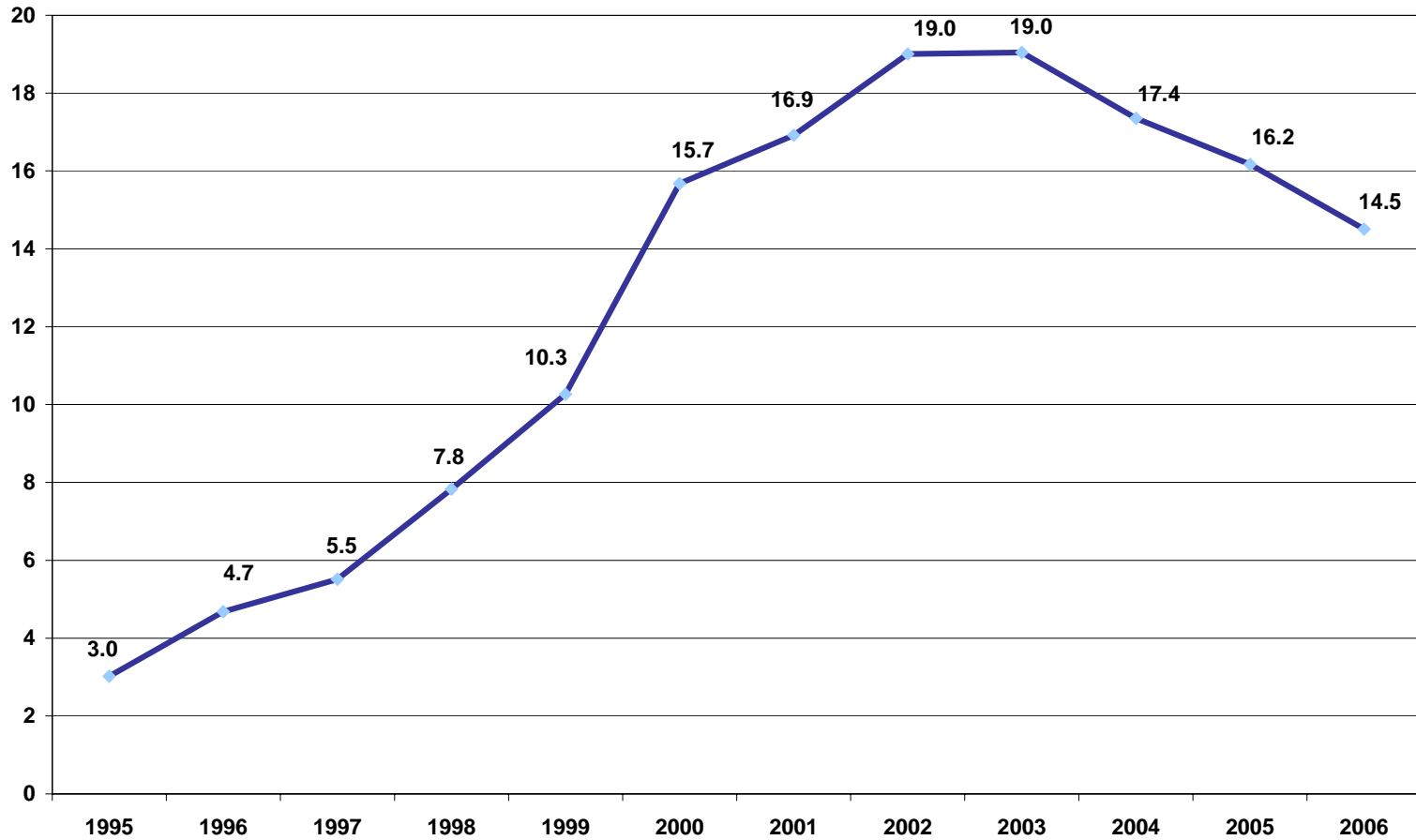
Overall Competitiveness

Average Annual Change 2000 – 2005

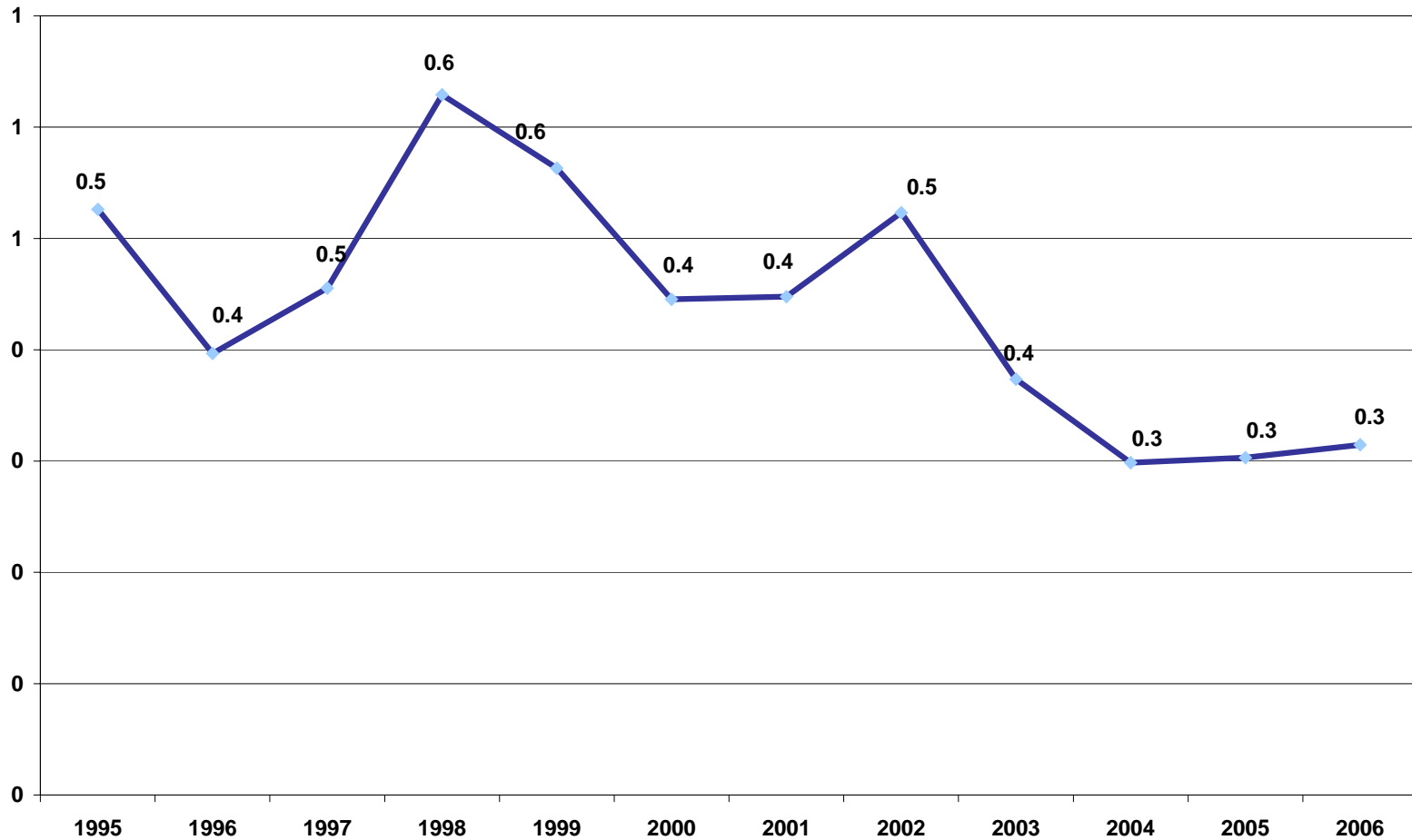
Country	TFP growth	Capital Price Growth	Labour Compensation	Exchange rate change Euro value	Cost Change in Local Currency	Cost Change in Euro	Annual Cost Change Differential
Ireland	2.2%	-5.7%	15.0%	0.0%	3.1%	3.1%	0.0%
France	0.9%	-6.4%	10.4%	0.0%	3.5%	3.5%	0.4%
Germany	0.7%	-6.4%	6.6%	0.0%	1.6%	1.6%	-1.5%
UK	1.3%	-2.3%	8.2%	1.9%	3.8%	1.9%	-1.2%
EU	0.0%	-6.4%	9.6%	0.0%	4.2%	4.2%	1.1%
USA	1.7%	-3.8%	3.2%	6.8%	-0.6%	-7.4%	-10.5%

Total Factor Productivity	1985-2004	1995-2000	2000-2004
Ireland			
Chemicals	8.2%	11.5%	5.9%
Electrical And Optical Equipment	6.7%	11.1%	3.5%
EU			
Chemicals	2.3%	1.5%	3.0%
Electrical And Optical Equipment	2.8%	5.0%	3.7%
USA			
Chemicals	1.1%	-0.3%	2.5%
Electrical And Optical Equipment	12.0%	16.5%	14.6%
UK			
Chemicals	1.8%	4.0%	0.3%
Electrical And Optical Equipment	3.8%	6.8%	0.1%
France			
Chemicals	1.1%	-0.3%	3.9%
Electrical And Optical Equipment	4.6%	8.9%	4.3%
Germany			
Chemicals	3.5%	3.1%	5.1%
Electrical And Optical Equipment	2.8%	5.2%	4.9%

Irish Share of US Imports of Chemicals



Irish Share of US Imports of Machinery /Transport Equipment



US Direct Investment in Manufacturing

	2000	2001	2002	2003	2004	2005	2006
Ireland's Share of All US Manufacturing FDI	2.8%	3.2%	4.5%	5.0%	4.9%	5.0%	4.9%
Ireland's Share of All US Manufacturing FDI to Europe	5.8%	7.0%	9.6%	10.1%	9.8%	9.8%	9.7%

US Direct Investment in Manufacturing

	2000	2006
Austria	1,274	2,909
Belgium	7,747	13,754
Czech Republic	717	1,111
Denmark	n/a	3,432
Finland	640	1,628
France	19,120	25,788
Germany	29,246	26,155
Greece	89	245
Hungary	1,393	2,669
Ireland	9,658	24,649
Italy	15,299	15,613
Luxembourg	n/a	6,698
Netherlands	18,847	33,124
Norway	667	2,197
Poland	1,908	3,640
Portugal	582	421
Russia	419	1,047
Spain	6,287	14,278
Sweden	2,687	2,765
Switzerland	3,423	9,643
Turkey	782	556
United Kingdom	40,546	61,427

Investment Plans by US Firms in Ireland

	%
Percentage Considering Additional Major Investment in Ireland	15.4
Percentage Considering on-going investment in Existing Irish Plants	84.6

Ireland as a Location for US Investment

Labour Market	Strength or Significant Strength	%	
		Neither Strength nor Weakness	Weakness or Significant Weakness
Labour Market Flexibility	56.4	30.8	12.9
Skilled Workforce	92.5	7.5	0.0
Unit Labour Costs	0	7.5	92.5
Quality of Universities	70.0	25.0	5.0
Level of Personal Income Tax	27.5	65.0	7.5
Business Environment			
Business Environment	73.2	24.4	2.4
Corporate Tax Rate	92.7	7.3	0.0
Stability of Exchange Rates	45.0	30.0	25.0
Costs of Services	7.3	12.2	80.5
Infrastructure			
Physical Infrastructure	20.0	15.0	65.0
Professional Services Infrastructure	53.8	46.2	0.0
Access to Markets	80.0	17.5	2.5
Policy			
Responsiveness of Policymakers	22.5	55.0	22.5
Political Stability	85.0	15.0	0.0
Support for R & D	73.2	26.8	0.0

Assessment of Ireland's Current Competitiveness Position

- ❑ Attractive Corporate Taxation
 - ❑ English Speaking Population
 - ❑ Skilled Workforce
 - ❑ Relatively Low Personal Income Taxes
 - ❑ High Quality Educational Sector
 - ❑ Availability of Developed Business Services
 - ❑ Existing Base of High Tech Sectors
 - ❑ Growing R+D Skills
 - ❑ Remaining Infrastructural Weaknesses
 - ❑ Escalation in Labour Costs
 - ❑ Uncompetitive Non Labour Business Input Costs
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