

Growth of med-tech sector is a boon to Ireland's economy

By JIM STOMMEN

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Irish eyes are smiling – on the medical technology sector. Or maybe they're smiling *because* of the med-tech sector.

With more than 150 multinational companies involved in various aspects of the medical products industry – including both the device and pharmaceutical sectors – Ireland has become a leading global site for such efforts.

As Seamus Carroll, vice president, medical technologies, in **IDA Ireland's** New York offices, noted during a re-cent conversation, medical products now account for about one-third of Ireland's total manufacturing exports, producing some \$34 billion in exported products annually.

What's more, the Irish presence of med-tech firms isn't limited to manufacturing and distribution/service operations. Fully 50% of the companies operating in Ireland carry out research and development activities there, he said.

Why the focus on med-tech as a driver of economic growth? "IDA Ireland identified it very early – maybe over 30 years ago," said Carroll. Nurturing continued growth is why he was in San Francisco last month, fronting a tabletop display and chatting up participants at the Frost & Sullivan Medical Devices Executive Summit.

The first U.S.-based firms, companies such as **Becton Dickinson** (Franklin Lakes, New Jersey) and **Abbott Laboratories** (Abbott Park, Illinois), "started the industry in Ireland," he said during a break at the Hyatt at Fisherman's Wharf. "They were the pioneers."

Today, they have been joined by dozens of other med-tech companies, operating pretty much across the Irish map, with Galway as a particular focal point for many device firms.

"Companies found that Ireland was a good, safe place to manufacture their products," Carroll said. "They are comfortable with the corporate environment here."

Two things bring particular comfort: a well-educated work force and low taxes.

"Ireland has a straight 12.5% corporate tax rate," he noted, not having to add that such a rate is far lower than those companies face in the U.S., as well as in many other parts of Europe. "Any trading activity can avail of that rate," he said.

Carroll said that Ireland "has proven that a low tax rate can be beneficial to the economy." Using a "slice of the cake" analogy, he noted: "Even though the slice [the 12.5% rate] is small, the cake keeps getting bigger."

Indeed, and one of the reasons the size of the cake is growing is the quality of the work force. IDA Ireland uses the tagline "Knowledge is in our nature" in its promotional materials, and having a source of well-educated employees is another big reason companies choose to locate operations in that country.

The nation offers pools of talent in areas of high relevance to the medical technology industry, including biomedical and mechanical engineering, electronics and the life sciences.

The Irish government has invested heavily in education, with some 13% of all public spending going to education. All education is free, including college, so getting an education is highly valued. According to IDA Ireland, more than 900,000 persons are involved in education on a full-time basis.

The educational focus is on business needs and future skills requirements. About 57% of Ireland's college graduates emerge from engineering, science, business and computing programs ready to work.

Shared service centers are another appealing point for firms deciding to locate operations in Ireland. Such centers allow companies to process such operational functions as finance and treasury, customer support, human resources, information technology and IT support, supply chain management, logistics and purchasing from a single location, allowing them to reduce costs and enjoy operational synergies.

IDA Ireland said such development has been facilitated by the country's "world-class telecom infrastructure" and "highly qualified work force."

The "pioneers" to whom Carroll had referred earlier "brought with them a knowledge of the industry." They brought knowledge of FDA and other regulatory requirements, he said, adding: "That kind of knowledge was very important to med-tech's growth in Ireland."

That growth has resulted in med-tech firms now accounting for about 10% of the total number of employers in the country.

Virtually all of the major U.S. med-tech players are represented in Ireland, with **Boston Scientific** (Natick, Massachusetts) reported having a total of about 3,000 employees in multiple locations, in part reflecting that company's aggressive mergers-and-acquisitions activities in recent years.

Medtronic's (Minneapolis) Ireland employment is about 2,000, due to expand by several hundred at its Galway facilities under already announced expansion plans, while Abbott has six manufacturing facilities there, employing more than 1,500.

Guidant (Indianapolis), soon to be acquired by **Johnson & Johnson** (J&J; New Brunswick, New Jersey), has about 1,000 employees at its Irish facilities, and expects to add about 500 more manufacturing jobs at a facility in Clonmel over the next three years under an expansion program announced by the company last summer. Those 500 jobs may be followed by a similar additional number as the operation develops in future years.

J&J itself has multiple operations there, including those for its **DePuy** (Warsaw, Indiana) orthopedic products, **Vistakon** (Jacksonville, Florida) contact lens and **Alza** (Mountain View, California) drug-delivery units. The latter firm opened its first manufacturing operation outside the U.S. in Cashel, County Tipperary, last fall.

Stryker (Kalamazoo, Michigan) and **Tyco Healthcare** (Mansfield, Massachusetts) are other U.S.-based firms operating multiple facilities in Ireland.

Besides manufacturing and service operations, R&D facilities are enjoying a big bounce in Ireland, buoyed in part by the government-funded Science Foundation of Ireland, which has focused about EUR 646 million on supporting basic research.

Another factor nudging R&D into the spotlight is the presence of dedicated research centers in various parts of the country, including the Center for Biomedical Engineering Science at the **University of Galway**, which involves faculty from across medical, engineering and science disciplines. IDA Ireland also provides R&D support to established companies.

Ireland clearly isn't resting on its laurels. While the interventional, orthopedics, vision, diagnostics and medical equipment sectors are key elements of the country's med-tech industry, Carroll noted that regenerative medicine – the newest of the new insofar as medical technology is concerned – is an emerging area of interest.

A biomedical research center focused on regenerative medicine operates at the University of Galway, while another on biomaterials and bone research is in place at the **University of Limerick**. ■