



written by Dermot Desmond

IFSC not possible without Charlie Haughey

It all began with a dinner in the Shelbourne Hotel in the mid-1980s when Ruairi Quinn was Minister for Labour. Greg Sparks, his advisor, and a partner with my auditor's practice, invited me and a number of others to a dinner to generate ideas on revenue creation for the State. In addition to Quinn, the people at the dinner included John Fanning of McConnells Advertising, Pat O'Mahony of AIB, Tom Hardiman, and Greg. At the time, according to Quinn, the Government had run out of scope for raising additional taxation.

Various ideas were discussed, including the potential of technology and how the French were trying to develop an IT based economy. My idea, given my background, was focused on international financial services. We adjourned afterwards to Kitty O'Shea's pub, and when Greg was leaving, I said I would write up a paper setting out my thoughts on how to make Ireland a viable location for an international financial centre.

I wrote the paper, gave it to Peter Kelly at Price Waterhouse to review and then sent it to Ruairi Quinn. He agreed to support the concept of establishing an international financial centre in Ireland, by contributing to a co-funded study, between the Youth Employment Agency, and NCB. Regrettably, the Coalition Government shelved the study, once completed.

When introduced to Charles Haughey in New York in 1986, I told him about the study and my belief in the opportunity which existed for Ireland. Subsequently, Haughey invited me to sit on an economic advisory committee, and we had several further meetings. Then, prior to the General Election in 1987, he said "You know your concept of a financial centre - I would like to include it in our election manifesto". That night Michael Buckley and I wrote the financial centre policy section which was incorporated into the election manifesto. When the manifesto was published, commentators generally derided the concept of the financial centre.

To overcome the resistance and to transform the idea into reality Haughey agreed to set up the IFSC Committee involving all the relevant Government departments and private sector interests. We suggested the Docks as the site for the new Centre. It was already owned by the State so there would be no scope for outside manipulation or delay.

At the first meeting of the IFSC Committee all the key private and public sector constituents were present but then the wrangling began. The Department of Finance were opposed to the plan because they were worried that the scheme would undermine the tax revenues the State got from the banks. The banks themselves did not warm to the Docks as a location. AIB had a new dealing room in Ballsbridge; they wanted to stay there. Bank of Ireland wanted it in Baggot Street. Ulster Bank wanted to stay in College Green, and so on. The meeting was a filibuster, and it went on for hours. At the end of the meeting I was very frustrated and conveyed this to Haughey. He laughed - "Didn't you give me the Committee idea?" What I hadn't understood was how bureaucracy would rise up and strangle the idea if let.

Haughey attended the next meeting. He told everyone that he would not allow the project to be stopped and would not allow self-interest to take over. The proposal for a financial centre as outlined in the manifesto, would be incorporated in the Finance Bill the following March and would include all of the provisions necessary for the establishment of the IFSC and "that would be that". That for me was the defining moment which marked the real beginnings of the IFSC - the transition from concept to reality.

Looking back, it is the best thing that I've been involved in. We all collaborated on the concept with a shared passion for promoting the national interest. People forget how depressed the Irish economy was in the late eighties, a time when some business leaders were advocating emigration as a safety valve.

That said, he expresses some disappointment with how it panned out. "It could have been bigger. we could have done far more. The social aspects have been largely ignored. The plan for the IFSC was for a truly vibrant financial, and cultural centre fully integrated with its surrounding communities fifteen years later it is still not there."

Nevertheless, the IFSC is a major contributor to the Irish economy - he estimates that its contribution since inception, taking multiplier effects into account is of the order of €7 to €10 billion "That pays for a lot of hospital beds and education and in relation to Haughey - if he did nothing else other than create these benefits for the community by generating the greatest amount of revenue in the history of the State without any loss or investment by the tax payer - it is an impressive legacy. The decision also reflected a new level of ambition, drive, self-confidence and decisive action that was quickly embraced as the hallmark of many subsequent public and private sector initiatives. We need to ask ourselves if this spirit has weakened."

He appears surprised that some people's idea of the financial centre was one with front office activity predominating. He points out that the detail of what he proposed is contained in the manifesto document, which spelled out the back office nature of the plan, and listed sectors such as global custody, fund administration, deal processing and risk management.

What of the future? There are a lot of negatives now, he believes, rents, salaries, benefits, - "Ireland is now a more advanced economy with a higher cost base. With success Ireland has become somewhat complacent. The passion for development has diminished. In the absence of drive, legislators and regulators have transitioned from being decisive and quick to careful and slow. Provided there is a continued focus on innovation/renewal and the legal and regulatory frameworks develop apace, he believes that the financial centre can prosper further -"especially in the more intellectually intensive areas of finance", and he believes that the emergence of centres of excellence, in such areas as hedge funds, reinsurance, securitisation, and exchange traded funds, as well as the agglomeration of expertise in the legal firms are major positives.

Fifteen years on, could the IFSC become a wasteland caused by company closures with just the memory of financial services, just as it is a memory of other mercantile activities of the 18th century? "Provided we avoid complacency I don't think so. At the present time we have an advantage that companies are already in situ here and there will be a reluctance to alter something that is working - even though it is technically quite easy to move service industries to other more competitive locations. New York is a very expensive financial centre, and its future is not in doubt - so is London. However as with all success stories there are emulators and if we do not continuously reinvent ourselves, we will lose out to lower cost providers. People came to Dublin because of its proactive, supportive culture. In its absence they will go elsewhere."