



The Digital Depot
157 Thomas Street
Dublin 8
Ireland
www.havok.com

acknowledged

Ireland t: +353 1 472 4300
F: +353 1 671 0022

USA t: +1 415 543 4620
F: +1 415 543 4621

15/4

9 April 2008

Mr Frank Daly
Chairman Commission on Taxation

Dear Frank,

Thank you for your interest regarding what I said at the IMI. Let me say I was surprised at the slant the Irish Times gave to my talk. My address was about the Havok story with less than 1% of it referring to possible taxation incentives to attract world class talent to Ireland. However I did mention the point and the Irish Times certainly did give that small part of my address coverage.

Basically my view is:

- 1) Building a knowledge based economy is government policy.
- 2) There are not enough people in Ireland or anywhere in the western world studying computer science subjects which is a core grounding for a knowledge economy. There is a substantial (I don't like the word but it describes the position) shortfall both in the number of computer science graduates and particularly in the quality of those graduates. The number of points required to study computer science subjects in Ireland is 300 – 350 with a cluster closer to 300 points. There are simply not enough students of high quality showing an interest in applying. If the input is not there then we cannot have a significant and sustainable knowledge economy.
- 3) In addition to the above shortage there are not enough people at world class level who can bring and oversee successful business models to knowledge companies.
- 4) There is intense competition worldwide for top business managers and computer science specialists. This competition will increase further as developed countries all endeavour to upgrade to knowledge based companies in order to maintain and grow living standards in the face of a wave of competition from lower cost economies.

In my view the best talent wants to work with other high quality talent, have a good lifestyle and be well rewarded financially. Taxation policy could play a role in helping to meet the financial challenge. I recommend:

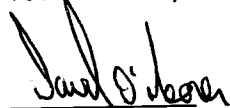
- 1) A tax credit of some amount of money - say 50K euro for all new computer science graduates and 75K euro for first class honours and 100k for all PhDs. This credit would have to be fully used up during the first five years post graduation conditional on taking up employment in the commercial sector (not academic) in Ireland. Current incentives seem to be overly weighted in favour of Academic research.
- 2) The same tax credit should apply to persons trained abroad in the same disciplines who move to Ireland and work for knowledge based commercial companies here.
- 3) Some similar tax credit mechanism might be provided also to very highly qualified business leaders who come from abroad to take senior positions in knowledge based companies here in Ireland (EI could play a role in the process to audit this).

The above would have the benefit of letting the world know Ireland Inc is in the business of attracting resources to computer science. This would energise the national effort and put Ireland on the map for graduates from many countries. It would incentivise more young people in Ireland to undertake computer science and for those who graduate to stay here in Ireland. It would also attract others from abroad to come and work in Ireland. An increase of thousands of new highly qualified computer science personnel each year into the work force would have a significant impact in Ireland.

Clearly if this policy worked then it would be followed by other countries (if they do not have the idea already) and in that event Ireland would be in danger of losing our skilled personnel to such countries. In the long term the best answer is the lowest possible taxes across the board consistent with a high performing public sector.

My views on this are based on experience of the intense battle I see for this market. One which will in all probability increase in intensity.

Yours sincerely



David O'Meara