

Vote 34 - Enterprise, Trade and Employment

30. Participation in World Exposition in Hanover- EXPO 2000

In 1995, the German Chancellor invited all world Governments to participate in a World Exposition to be held in the year 2000 in Hanover, Germany. This Exposition became known as EXPO 2000. Countries participating at such expositions are expected to fund the cost of construction and running a national Pavilion or exhibition site. The participants are also expected to provide funding for staffing its Pavilion and exhibits, and in due course, the restoration of their sites to their original states, unless otherwise agreed with the host authorities.

Consideration of the case for Irish participation in EXPO 2000 in terms of direct economic return for trade, tourism publicity and investment had been given by the state promotional agencies in the framework of the Foreign Earnings Committee¹⁹ (FEC). FEC was asked four specific questions on Ireland's participation in EXPO 2000:

- Does FEC consider that Irish participation would be justified from a foreign earnings perspective?
- Would the promotional agencies represented on FEC be prepared to contribute to the cost of Ireland's participation in Hanover, and at what level?
- Given the importance of the German market for Ireland, would any of the agencies wish to take a lead in the organisation of any Irish involvement?
- What was FEC's view on the likelihood of securing private sector sponsorship for Irish participation?

The response from the agencies represented on FEC was that representation at Hanover would not be justified on trade/ investment promotion grounds. None of them were willing to allocate any budgetary resources to it. Neither did they hold out much hope of substantial private sponsorship. However, FEC was also of the view that failure to participate in Hanover, against a background of participation by all other Member States, could be damaging to our overall relations with Germany.

It was the view of the Tánaiste that the Department of Arts, Heritage, Gaeltacht and the Islands or the Department of Foreign Affairs would be best equipped to take the lead role in the co-ordination of arrangements for EXPO 2000. However, neither Department was willing to accept this role and the Tánaiste reluctantly accepted that it fell, by default, to her Department.

In February 1998 the Government approved a proposal by the Tánaiste to participate in EXPO 2000 at an indicative cost of £5-6m. In the Memorandum for the Government putting forward the proposal, the Department noted that the FEC were of the opinion that representation at Hanover would not be justified on trade or investment promotion grounds. The Department also did not hold out much hope of attracting substantial private sponsorship for the event, a view that was supported by the Department of Arts, Heritage, Gaeltacht and the Islands at the time of the proposal.

¹⁹ The Foreign Earnings Committee monitors the combined Irish promotional effort abroad, ensures coordination of that effort to best effect, and advises on the trade and investment implications for the conduct of bilateral relations.

The Department of Finance concurred with the assessment that Ireland's participation would not be justified from a foreign trade or investment promotion perspective. It also expressed strong opposition to the use of National Lottery funding for the project but indicated it would not oppose affording other Departments or Agencies the opportunity of making a case for participation in the project provided the costs were accommodated within the medium terms financial parameters agreed by Government.

In the pre-EXPO period, in April 1999 a cost overrun of some £500,000 was predicted. The expected overrun was largely due to an increase in the construction budget, brought about by exceptionally high costs associated with building in Hanover, together with expected high levels of inflation in the period up to EXPO 2000. The Department sought to have increases in the budget met from private sector contributions.

By August 1999 the estimated cost of participation had risen to an estimated £9.1m. Revisions to estimates were made across three headings as shown in Table 36.

Table 36 EXPO Revised Estimates of cost of participation

	Preliminary Estimate	Revised Estimate	Variation
	£	£	
Irish Pavilion Construction Costs	1,900,000	3,022,815	+59%
Irish Pavilion Fitting-out Costs	1,100,000	1,816,424	+65%
Running Costs/ Administration/ Contingency	2,000,000- 3,000,000	4,280,000	+114% (max) +43% (min)
Total	5,000,000- 6,000,000	9,119,239	+62% (max) +52% (min)

An overall target for all types of sponsorship, including cash contributions, of £250,000- £500,000 was set for EXPO 2000. However, in a review of sponsorship efforts following the exhibition, the Pavilion Director noted that £10,000 had been received in cash contributions with quantified estimates of other sponsorship efforts put at £34,000- £45,000.

As a condition of participation Ireland was obliged to dismantle the pavilion and re-instate the site by the end of February 2001. The Department requested the Office of Public Works (OPW) in June 2000 to examine the options available for disposal or otherwise of the pavilion giving a deadline to OPW of 12 December 2000 for receipt of their report and recommendations. This deadline was subsequently extended to 2 February 2001. OPW submitted their report on 15 February 2001, but this was too late to enable the Department to take the necessary steps to comply with the conditions of participation. In order to prevent the EXPO authorities taking action in their own right on the Irish site, the Department was obliged to enter into a bond with the German authorities in the amount of DM 226,200, equivalent to approximately £91,000, undertaking that the site would be restored by 30 June 2001.

In its report of 15 February 2001 to the Department on the matter of disposal of the Pavilion, OPW noted the results of its actions in obtaining expressions of interest in acquiring the Pavilion. No Government Department or Office had expressed such an interest. However, five expressions of interest had been received as a result of newspaper advertisements. Three of these were from public sector bodies and two from the private sector. One bid had also been received for £80,000 from a German firm to buy the Pavilion.

In finally concluding on the disposal of the Pavilion, the Department accepted an offer from the Dún Laoghaire Institute of Art, Design and Technology (one of the public sector bodies which had responded to the newspaper advertisements) to dismantle the Pavilion and have it re-erected at the Institute's site. The Department of Education and Science undertook to meet the cost, up to a sum of £2m.

In February 2001 independent evaluators, appointed by the Department to review Ireland's participation in EXPO2000, produced a preliminary report in which they concluded, that

- There was minimal impact on foreign investment or trade
- Some of the State Agencies involved in EXPO were uncertain whether the benefits exceeded the costs
- Bord Fáilte's view was that the expenditure may have been more effectively spent from a tourism perspective on other promotional initiatives
- There may be an over-estimation of the tourism benefits from EXPO due to the need to discount the revenues over time and the use of other resources which would reduce the benefits
- Ireland should decide well in advance of its intention to participate in future EXPOs, so as to ensure proper planning and facilitate commercial involvement

Notwithstanding these conclusions the evaluators stated that their analysis suggested that, on balance, Ireland's participation was likely to have provided a return on taxpayers funds, given the estimated tourism benefits, the national prestige/diplomatic issues and the other benefits in terms of the attraction of skills and cultural issues.

As I was concerned about the value for money of the expenditure I sought the views of the Accounting Officer.

In his reply, the Accounting Officer informed me that his Department had been involved in the organization of Irish participation at Seville 1992, a previous EXPO, but it did not have the lead role, the responsibility at that time being assigned to a Minister for State at the Department of the Taoiseach. He pointed out that, while the original invitation to participate in EXPO was made to the Taoiseach in 1995, and the Department of Tourism and Trade had furnished views to the Office of the Taoiseach, he was not aware of further action in relation to this matter until Autumn 1997 when the organizers of EXPO and the German Government began to lobby the Irish Government on the issue. In the light of contacts made between the German Ambassador and the Tánaiste in December 1997, the Taoiseach and Tánaiste agreed that she should submit a memorandum to the Government seeking a decision in principle on Ireland's participation in the EXPO 2000.

The Accounting Officer also stated that the costing included in the Memorandum for the Government in the amount of £5-6million, was based on participation in the 1992 Seville EXPO, with an adjustment for general inflation in the interim. The estimated cost of participation increased by £3.1million after detailed consultations with OPW.

The need for the revised estimate arose in essence from higher than originally estimated costs in respect of construction and fitting out of the Pavilion (amounting to almost two-thirds of the original allocation). This was due principally to hyper-inflation in the Hanover area, various unforeseen mandatory fees and charges introduced by the German organisers and increased operational costs.

As regards to the targeted level of private sponsorship for EXPO, the Accounting Officer stated that, with hindsight, the target was overly ambitious in the light of the failure to raise any significant sponsorship in respect of EXPO 92 in Seville. While strong efforts were made to secure sponsorship, the Pavilion Director was forced to the conclusion that the companies approached saw little commercial benefit in providing sponsorship. They saw it as the responsibility of the State to fund Ireland's presence at major international fora such as World Expositions.

The final cost of Ireland's participation in EXPO 2000 is not expected to exceed the approved amount of £9.1million. The ultimate net cost is estimated in the range £7.4-£8.1million, the spread being due to some uncertainty with regard to the final re-imburement of German VAT, which may not be finalised until 2002.

In commenting on the preliminary findings of the independent evaluators of EXPO, the Accounting Officer stated that most of these were unsurprising and very much in line with the views expressed by the FEC when it was consulted prior to the Government decision to participate. However, he reiterated that that decision was based on considerations that were far broader than the potential for foreign earnings enhancement.

As to overall value-for-money, the Accounting Officer stated that, while it was difficult to make definitive judgments about tangible benefits accruing from the project, the Department believe that the manner in which it was undertaken and the high degree of success achieved in measurable outputs maximised the prospects of such benefits accruing to the Irish taxpayer in the longer term.

In support of this view, he pointed to, among other things, the cost of Irish participation being lower than other EU Member States and to the higher than anticipated number of visitors to the Irish pavilion.

31. Fees paid for Trade Mark searches

Article 39(3) of Council Regulation No 40/94 of 20 December 1993 on the Community Trade Mark provides that National Patents Offices may opt to carry out searches, on behalf of the Office for Harmonisation in the Internal Market (OHIM), of its own register of trade marks in respect of applications for Community Trade Marks (CTMAs).

The Patents Office opted to carry out such searches and commenced that work in 1996. Search requests must be responded to within three months. A minimum fee of €25 is paid by OHIM for each search carried out within the three month period..

During the course of audit in the Patents Office it was noted that less than 40% of requests received from OHIM in the years 1996 to 2000 inclusive were processed and returned to OHIM within the specified time-limit. In particular, less than 1% of over 92,000 requests received in the years 1999 and 2000 were processed.

The estimated fees forgone for the period 1996-2000 amounted to over £2m as shown in Table 37.

Table 37 OHIM Search Request Processing by the Patents Office 1996-2000

Year	Requests Received	Requests Processed	Unprocessed Requests	Estimated Fees Forgone £
1996	2,860	1,124	1,736	34,200
1997	49,247	37,643	11,604	228,400
1998	32,204	28,853	3,351	75,900
1999	44,109	610	43,499	984,7000
2000	48,099	NIL	48,099	1,088,800
Totals	176,519	68,230	108,289	2,412,000

As the failure to process the search requests resulted in an apparent loss of substantial income for the Exchequer (even allowing for any cost that would have been incurred in carrying out those searches) I sought the views of the Accounting Officer.

He informed me that since early 1997, the Patents Office had experienced difficulties processing and returning all the CTMAs received due to the substantial increase in volumes of search requests from OHIM. A factor in this was that the Patents Office, as with all other national Patents Offices, when opting to carry out this searching procedure, had been given no indication that the volume of applications would be so substantial. The IT system then in place was inadequate to deal effectively with the nature of the applications received.

The problem was compounded by a significant backlog in the processing of trademark applications under national law which the Office was trying to reduce. Moreover, the relocation of the Patents Office to Kilkenny in 1998 caused disruption and diverted resources from other tasks.

During the period 1996-1998 the Department had taken steps to ensure that the searching process could continue including dropping all other search work in favour of CTMA searches, utilisation of overtime and adjustment of the search procedures to improve productivity. However, these measures offered only a temporary solution to the difficulties since it was not possible to continue to indefinitely ignore other duties in favour of CTMA searches.

Consequently, in 1999, the Patents Office made a decision to suspend CTMA searching in order to give priority to the work involved in searching and examining national trade mark applications and the OHIM was notified accordingly.

Until the installation of a new IT system in the Office in 2001, the procedures for carrying out the searches for OHIM were dependent on outdated IT systems and manual practices that were highly labour-intensive. A Business Process Re-engineering exercise undertaken in 1998 recommended new processes and structures which envisaged that a reduced staffing complement would be adequate to deal with the Office's workload, including CTMA searching. The new processes and structures were to be supported by new computer systems, including a completely new search system. It was originally expected that the new systems would be in place by end 1998. However, the schedule for the delivery of the new computer systems was delayed. The main system did not go live until late 1999 and the new computerised search system was not received by the Office until December 2000.

The new IT system has enabled the Patents Office to resume CTMA searching in April 2001.