

Embracing the transformational opportunity of AI

Good morning, Chair and Committee members. My name is Eoin O'Reilly, I am Head of Data Analytics and AI at EY Ireland. I am joined today by EY Ireland's Chief Economist Doctor Loretta O'Sullivan. We welcome the opportunity to address this Committee on this critically important issue. In EY we believe that Artificial Intelligence can have a transformative, positive and far-reaching impact on all businesses - from SMEs to indigenous and multinational companies - as well as the people working in these organisations and indeed on wider society.

EY Ireland employs more than 5,000 people on the island of Ireland, with offices in Dublin, Belfast, Cork, Galway, Limerick and Waterford supporting organisations across a broad and diverse range of professional services from Assurance to Corporate Finance, Tax and Law, Consulting to Data Analytics. Every day we work with a broad range of organisations spanning every sector of Ireland's economy from startups and private businesses, through to well-established Irish PLCs and multinational FDI organisations. Our Entrepreneur of the Year Programme has been running for over 25 years, promoting entrepreneurship and empowering entrepreneurs to grow their businesses on the island of Ireland and around the world. It is this continuous interaction with our varied clients here and across our global network that gives us a unique perspective on how businesses are embracing transformative technologies such as AI - from the c-suite to the shop floor.

EY has embedded AI into our global technology solutions for more than a decade. Globally, we have invested over €1.3 billion in our Artificial Intelligence offering, encompassing services and capabilities for our clients and our people. Here in EY Ireland, we employ more than 300 people in our AI and data analytics practice, which brings together experts across artificial intelligence, data analytics, technology and business to help organisations harness the potential of AI and reimagine the way they do business. Last year we launched EYQ, EY's own private large language model, which operates in a similar manner to other conversational AI models such as ChatGPT or Google's Bard, allowing our people to ideate, research and create with Generative AI. We see EYQ as a 'copilot' for our people, augmenting human potential by supporting ideation and research, boosting productivity, automating repetitive tasks and more.

Artificial Intelligence is not a new technology, but it increasingly coming into focus with developments around Generative AI (GenAI) in recent years. AI is around us every day – from (1) interpreting human speech like Alexa in our Kitchens, (2) learning and inference based on a history of events like what we have bought and recommended on Amazon or (3) generation of documents & information like we are seeing with ChatGPT and other chatbots.

From a business perspective there is real excitement on what AI and GenAI in particular can offer for organisations. We are seeing a number of themes emerge from our work and discussions with clients here in Ireland and beyond.

Firstly, there is real excitement about what AI can do for organisations and there is a real sentiment that it will be a transformative technology over the coming years. This is a technology discussion that has vaulted from the server room to the board room. In EY's recent survey (Nov 23) of 1,200 CEOs from around the world, 99% plan to invest in Generative AI and 70% seek to act quickly to avoid being edged out by competitors. Organisations see it as a value accelerator, boosting productivity and efficiency, supporting research and new product development, automating repetitive tasks, reducing silos across an organisation, ultimately enabling them to better serve their customers. We're seeing engagement across all business functions – from customer service and sales, manufacturing and marketing and core business services such as operations and Finance. While the impact may be

different depending on the type of business or the area it is focused on, the opportunity is there for almost all.

Secondly, Investment in AI is already happening. Many of the organisations we work with here are already actively investing in AI or currently assessing their AI maturity to identify where the opportunities are for their businesses. Globally and locally, EY is working across a broad range of areas to support clients on their AI journey. This includes:

- Healthcare and Lifesciences: working with hospitals to analyse massive quantities of patient data to identify those at greatest health risk, through to improvements that AI can support in the manufacturing of lifesaving drugs through improving product yields
- Logistics: AI is being used to optimize supply chains, reduce delivery times and ensure better efficiency on delivery windows
- Finance: Banks globally and locally are making significant investment in AI and we are seeing clients training AI to support the detection of suspicious activity, and use AI to automate the review & analysis of complex credit agreements.

AI talent is a top priority area for businesses seeking to take advantage of opportunities provided by this game changing technology. Access to AI talent and the training and upskilling of existing staff so that they can harness AI in their work is key. That's why it's so important to have skills training and education for people at all stages of their career and in almost all sectors to upskill in AI.

The main challenges we see clients facing are twofold. The first is around data. The quality of AI outputs for a given organisation are proportional to the quality of the data that underpins them. That's why getting AI ready and investing in capturing and organising data accurately is a critical first step that many organisations are currently focused on in their AI journey and its complexity should not be underestimated.

Secondly, businesses are really concerned about how they can adopt AI responsibly and safely – how do they resolve concerns in areas like data privacy, Intellectual Property, unwitting 'Hallucinations' by AI and the essential issue of AI ethics and regulation. Many organisations will be racing to use AI in 2024, but responsible and 'futureproofed' adoption is crucial to avoid pitfalls ahead of new regulation. In this context, the EU's recently passed AI Act is very welcome providing significant guardrails for organisations and a first-mover advantage to the block.

In summary, technological revolutions are not new, but the economic impact of AI could surface more rapidly than previous technological revolutions as implementation and pace of adoption is faster and the scale of the opportunity is very large. This is a very exciting time for the Irish economy, we have some unique opportunities that we should consider but we need to be focused. My Colleague Dr O'Sullivan will now address some of the macroeconomic opportunities for businesses and the wider economy offered by AI.

From “can-do” to “must-do”

Today's economy is doing well. Ireland is expected to put in a relatively good growth performance this year as inflation tracks lower and the interest rate cycle turns. The labour market remains strong, with employment at a record high and the unemployment rate low, and the public finances are healthy.

That we are in this position after a series of significant external shocks – Brexit, Covid-19, war in Ukraine, conflict in the Middle East – speaks to the resilience and “can-do” attitude of Irish

households and businesses. It also reflects the underlying strengths of the economy, from a dynamic FDI sector and talented indigenous entrepreneurs, a skilled workforce and world class universities, to an enterprise-friendly environment.

But while there is much to be positive about, headwinds abound and if Ireland is to keep pace with developments in global markets, we also need to cultivate the seeds of tomorrow's economic growth.

This means doubling down on efforts to boost the labour force, bolster the capital stock, and enhance productivity, by upskilling employees, investing in necessary infrastructure, accelerating the green transition, and harnessing the power of new technologies such as Artificial Intelligence.

Along with sustainability, digitalisation is reshaping all our economies, with AI standing at the forefront of this 'transformative wave'. Although the full extent of its economic and social consequences is not fully understood yet, it clearly has the potential to enhance productivity.

When it comes to the labour market, technological innovation typically impacts via (1) job creation, where new roles and opportunities emerge, (2) job displacement where functions become obsolete due to automation, and (3) job transformation where the nature of tasks is augmented. As AI adoption increases and skill requirements change into the future, it will be important to ensure that enterprise and education policies are in place to promote and support inclusive training and life-long learning.

As the National Competitiveness and Productivity Council highlight, the AI landscape is rapidly evolving, and early adopters stand to gain significant economic, strategic, and competitive advantages. Indeed, EY's forthcoming FDI attractiveness survey finds that AI would help some two in five international investors expand their mandate in Ireland over the coming years, reinforcing the fact that as a small open economy, we "must-do" if we are not to be left behind. Ireland is well positioned in this regard given that we have a national AI Strategy – Here for Good in place since 2021, with the most recent update showing progress against all key strands however the focus at all levels must be maintained.

I will conclude by saying that in EY we believe that now is the time to invest in the drivers of next-generation economic growth, including AI. From past experience, we know that such investment pays dividends many times over, helping to bring about a more prosperous society for all.