

Grattan Business Centre,
Portlaoise,
Co. Laois.

Committee of Public Accounts

Leinster House

Dublin 2

Your Ref: PAC32-I-1085

October 15th 2018

Attention of Margaret Falsey

Dear Ms Falsey

I refer to your letter of 3rd inst to the Secretary General drawing our attention to the proceedings of a meeting of the Committee on 27 September 2018 and citing correspondence alleging unauthorised State Aid to Horse Sport Ireland.

The position is that two complaints alleging that such State Aid is unlawful have been made to the EU Commission and correspondence on these is ongoing.

On 8 March 2018 the Commission services received a complaint lodged by Mr Thomas Reed, on behalf of the Irish Warmblood Studbook Ltd., and the Commission subsequently enquired about and sought : (i) details concerning the funding granted by the Department to HSI in the period from 2008 until 2018 (i.e. amounts, legal basis, State aid clearance), (ii)

clarification whether other studbooks (in particular, the complainant) are allowed "to compete for the funds given to HSI" and (iii) a reply to the allegation that the right to manage and earn income from the operation of the "Irish Horse Register" was granted to HSI without a public tender or the opportunity for other organisations to compete.

Following some correspondence by way of clarification the Department has sent the Commission a comprehensive refutation of the complaint concerned and the matter is now under consideration by the Commission.

More recently, on July 11, 2018, the Commission received a second complaint lodged by a Mr Henk Minderman, on behalf of Breeders Elite Studbook for Irish and European Sporthorses, again concerning allegedly unlawful State aid granted to Horse Sport Ireland and the Irish Horse Board.

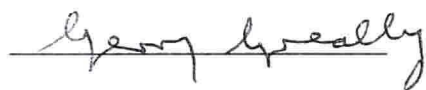
The Commission has sought a response from the Department in particular in the following respects – (i) details concerning the funding granted by the Department to HSI and IHB in the period from 2008 until 2018 for HSI and 1993-2017 for IHB (i.e. amounts, legal basis, State aid clearance), (ii) clarification as to whether other studbooks (in particular, the complainant) are allowed to compete for the funds and (iii) the allegation that unlawful state aid allowed HSI to: charge below market prices for the goods and services it sells in competition with the other studbooks in Ireland and the EU; to provide direct payments to breeders who are affiliated with and/or breed within the IHS studbook, resulting in retention of customers on the basis of these payments; have almost 100% of the expenses of its Breeding Department paid for, which guarantees a profit to HSI from its breeding department and give it the ability to charge non-competitive prices and offer payments to breeders.

The Department is currently formulating its response to the Commission correspondence and expects to be in a position to respond shortly.

I should add that the Department strenuously denies the allegations in the two complaints concerned and is confident in its expectation of being able to respond satisfactorily to them from the Commission's point of view.

I trust this clarifies the matter for the information of your Committee

Yours sincerely

A handwritten signature in cursive script, reading "Gerry Greally", written over a horizontal line.

Gerry Greally,

Livestock Breeding Production and Trade Division