

# Small Firms Association

## Submission in relation to Brexit preparations

**Presented to:**  
**Joint Committee on Business,  
Enterprise and Innovation**

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## **Introduction**

Firstly, on behalf of our member companies, the SFA would like to thank the Joint Committee on Business, Enterprise and Innovation for this opportunity to raise our concerns in relation to Brexit preparations.

The Small Firms Association (SFA) is the trusted partner of small businesses (less than 50 employees) in Ireland, with members in all sectors and parts of the country. Its mission is to deliver business-focused advice and insights to member companies, influence government policy to the benefit of small businesses and connect its members in a thriving community.

The SFA has a vision of Ireland as the most vibrant small business community in the world – supporting entrepreneurship, valuing small business and rewarding risk takers. The SFA makes this submission to the Joint Committee on Business, Enterprise and Innovation based on our knowledge and experience of the small business community, which comprises over 246,000 businesses, employing half of the private sector workforce, some 720,000 people.

### **How you are preparing for Brexit?**

Since the UK's decision to leave the EU, the SFA has been working hard to assist members to prepare for Brexit. Firstly, the SFA prepared a Brexit guide for small business. It contains analysis of Ireland's Brexit exposure and insights into the opportunities and risks for the main sectors of the economy. It provides details of the ten main impact areas for Irish businesses:

- Currency
- Supply chain
- Contracts
- Finance and funding
- Workforce
- Technology
- Regulation
- Tax
- Market
- Operating structures

Crucially, the guide then provides a Brexit toolkit outlining “no regret” courses of action to manage Brexit as well as “do now” and “plan and be ready” steps under each of the ten impact areas listed above.

The SFA's website, fortnightly Ezine and quarterly Better Business magazine as well as direct emails have contained sector specific advice in areas such as construction, food and beverage, cosmetic and pharmaceuticals and articles based on the identified ten main impact areas.

In addition, the SFA have hosted several events covering Brexit issues. These include our Business Connect event at the Aviva Stadium, Dublin, webinars and National

Council meetings. Furthermore, we have worked on events with Revenue, Department of Business, Enterprise and Innovation, Data Protection Commission, and the LEO Network.

### **Whether you have found State information and supports– including loan schemes – useful?**

As stated above the SFA have worked closely with Revenue, Department of Business, Enterprise and Innovation, Data Protection Commission, Enterprise Ireland and the LEO Network on different matters regarding Brexit. We have also cooperated with SBCI and Microfinance Ireland. SFA Director, Sven Spollen-Behrens attends the Department of Business, Enterprise and Innovation's Brexit Forum and representatives have also attended meetings with the HSE, OGP and the Department of Housing, Planning and Local Government. The SFA Executive also subscribe to the different departments and State agencies Brexit newsletters. Through these interactions we have found State information to be satisfactory. Most, if not all, are aware of the current and future economic challenges the UK's decision will have on small firms and are working hard to ensure the policies for which they are responsible for developing, are ready for any changes arising from Brexit.

Funding through the LEO Network, Microfinance Ireland, Intertrade Ireland and the SBCI's Brexit Loan Scheme and the Future Growth Loan Scheme are an important response to Brexit. These schemes will allow small firms to borrow for working capital or investment at low interest rates, ensuring businesses that are viable in the long-term can survive the challenges ahead. As we move closer to a UK exits, close monitoring of all Brexit funding is required to ensure their impact on small businesses is maximised.

This summer the SFA welcomed the announcement of €3 million LEO Funds to enhance the productivity of small firms in every region, as part of the Future Jobs Strategy. The LEO Competitive Fund and the Competitive Pilot Scheme will support small businesses in their Brexit readiness and enhance productivity by stimulating research and innovation and promoting lean business practices. We believe these funds will help to address the lagging productivity within our domestic firms and reduce the financial burden of Brexit.

Budget 2020s announcement of supports for business in the case of a 'no-deal' Brexit are welcome. Nevertheless, if the Government really want small firms to thrive and be Brexit ready, then an adequate supply of credit is critical to ensure future business needs. Unfortunately, feedback from our members suggests that many business owners are struggling to access credit and are using their own funds to meet financing needs.

### **Any other information and support you would like to receive?**

In May of this year we launched a policy paper 'Getting Local Economies Brexit Ready'. The paper highlights the growing concern amongst small businesses that not enough is being done by local authorities to address the continued erosion of competitiveness within our towns and villages or to help local small businesses address the uncertainty of Brexit.

Our paper outlines how Brexit will affect each local community differently, with the Border areas expected to be most impacted. With increasing competition for inward investment and tourism, we believe it is vital that our local authorities put in place plans to sustain enterprise and tourism during these uncertain times. To alleviate rolling Brexit uncertainty and maintain competitiveness, we believe that the country's 31 local authorities should provide certainty to rate payers by not increasing commercial rates or adding to the cost of doing business at this time.

### **Any other State supports you would like to see put in place following Brexit?**

We would like to see the following put in place:

- Criteria for the existing loan scheme should see, at a minimum, a significant loosening of the currently overly restrictive innovation criteria. These criteria and their overt focus on technological innovation are completely inappropriate for firms in sectors most impacted by Brexit. Ideally, firms with satisfactory business plans should have to only meet one of the Brexit criteria.
- A new scheme covering export credit insurance is needed. This would necessitate temporary changes to the EU's "Short-term Export Credit-insurance Communication" allowing exemptions for schemes which are aimed at companies impacted by Brexit and diversifying away from the UK. This could include some private risk (up to 20%).
- The current SME credit guarantee scheme's coverage of invoice discounting and factoring arrangements in Brexit impacted firms should be accelerated, in-line with state aid rules.
- Introduce additional supports for companies looking to reformulate, re-package or innovate their product lines for new markets.
- Increase the allocation of funding to Skillnet Ireland for the up-skilling and retraining of workers and business owners in the most Brexit-exposed sectors.

### **Your key concerns in the event of a no-deal Brexit?**

The SFA's key concerns in the event of a no-deal Brexit are:

- Sterling weakness

The continued weakness and volatility in sterling is already putting acute pressure on the margins of small exporters. This has been acutely felt by businesses who are less diversified, have less market power and often cannot afford hedging products. We expect that there would be further significant volatility in the event of a 'no-deal' Brexit.

- Confidence amongst small business owners

Feedback from our members shows that confidence among small business owners slumped in the first half of 2019. In May, only 45% of members felt that the business environment is improving, compared with 59% in November 2018. Since the beginning of the year small businesses have faced rolling Brexit uncertainty, increasing tax and wage levels, alongside additional regulatory burden. With regards to investment it is our belief that, in the event of a 'no-deal' Brexit entrepreneurs are likely to re-direct resources which could otherwise be used for investment and growth, to sustain their existing markets and deal with the costs imposed by Brexit.



- Customs

The SFA is advising all businesses to inform themselves of all customs and excise requirements that may arise for imports/exports between Ireland and the UK (incl. NI), with a deal or in a situation of a 'no-deal'. As most small firms would have very little experience of trading with third countries, they have begun engaging with a Customs Agent to provide administration support and to cover any guarantees that may arise. Due to a shortage of Custom Agents and the costs involved in hiring an agent, we believe that small firms selling into the UK could be seriously impacted by increasing trade costs.

- Cashflow

Many small firms remain reluctant to borrow, trying to avoid the potential hardship familiar from the recession. We would be very concerned that delays in the supply chain could bring about significant cash flow issues for small firms. In a slowing economy the financial institutions will be less likely to provide credit to small firms.

**Any other matter of concern in relation to Brexit?**

In the event of a 'no-deal' Brexit, it is vital that supports are in place early and ready to be drawn down immediately. Legislation in this area should be introduced without delay.

**Conclusion**

Brexit poses one of the biggest challenges faced by small businesses in years. The SFA remains focused on preparing members for the opportunities and risks to their businesses.

Thank you in advance for your close consideration of our position.

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