

DÁIL ÉIREANN

AN COISTE UM CHUNTAIS PHOIBLÍ

COMMITTEE OF PUBLIC ACCOUNTS

Déardaoin, 31 Eanáir 2013

Thursday, 31 January 2013

The Committee met at 10 a.m.

MEMBERS PRESENT:

Deputy Paul J. Connaughton,	Deputy Simon Harris,
Deputy John Deasy,	Mary Lou McDonald,
Deputy Paschal Donohoe,	Deputy Eoghan Murphy,
Deputy Robert Dowds,	Deputy Kieran O'Donnell.
Deputy Sean Fleming,	

DEPUTY JOHN MCGUINNESS IN THE CHAIR.

The committee met in private session until 11.35 a.m.

Mr. Andy Harkness (*Secretary and Director of Audit, Office of the Comptroller and Auditor General*) called and examined.

Enterprise Ireland - Annual Report and Financial Statement 2011

Mr. Frank Ryan (*Chief Executive Officer, Enterprise Ireland*) called and examined.

Chairman: We are now dealing with No. 9, financial statements for 2011 for Enterprise Ireland. Before we begin I remind members, witnesses and those in the Public Gallery to turn off their mobile telephones because the interference from the phones affects the sound quality of the transmission of the meeting.

I wish to advise witnesses that they are protected by absolute privilege in respect of the evidence they give this committee. If they are directed by the committee to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. Witnesses are directed that only evidence connected with the subject matter of these proceedings is to be given. They are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against a Member of either House, a person outside the Houses, or an official by name or in such a way as to make him or her identifiable.

Members are reminded of the provision within Standing Order 163 that the committee shall also refrain from inquiring into the merits of a policy or policies of the Government, or a Minister of the Government, or the merits of the objectives of such policy.

I welcome Mr. Frank Ryan, chief executive officer, Enterprise Ireland.

Mr. Frank Ryan: I thank the committee for the opportunity to attend this morning. I am joined today by colleagues from Enterprise Ireland who are present to assist the work of the committee. In presenting the annual report and accounts for 2011, I will briefly outline the key results achieved.

Enterprise Ireland's mission is to partner with entrepreneurs, Irish businesses, and the research and investment communities to develop Ireland's international trade, innovation, leadership, and competitiveness. The ultimate objective is increased employment and prosperity in Ireland. The companies we work with are a vital source of employment in every county in Ireland.

To help our clients achieve growth, Enterprise Ireland uses a holistic developmental approach and engages client companies across all aspects of the value chain. I would like to take this opportunity to recognise the contribution of the staff of Enterprise Ireland, both at home and overseas, in delivering on the objectives of the agency.

While it is understood that the focus of the committee's session is on the Enterprise Ireland annual report and accounts for 2011, it is appreciated that members will also be keenly interested in developments during 2012. To this end, summary updates have been provided throughout the briefing document provided to committee members in advance of today's meeting.

COMMITTEE OF PUBLIC ACCOUNTS

Despite operating in a very challenging domestic market and in highly competitive international markets, our client companies put in an exceptionally resilient performance in 2011 following three consecutive years of decline. At the end of that year, total employment by Enterprise Ireland clients stood at 162,692, made up of 141,228 in full-time employment and 21,464 in part-time positions. In 2012, total employment in our client companies increased to 169,451, with 145,460 full-time jobs and 23,991 part-time positions. During 2012, the Action Plan for Jobs was launched, containing over 270 individual actions to be delivered. Enterprise Ireland had responsibility for more than 100 of these actions and we delivered the bulk of the actions assigned to us in the action plan in full and on time.

In Enterprise Ireland we understand that in a small economy, exports sustain and create jobs. The stabilisation of employment in our client companies in 2011 was supported by buoyant international sales. With total exports reaching €15.2 billion, our clients exported more in 2011 than at any time in the history of the State. The support and promotion of in-company research and development and innovation, as well as collaborative innovation with others, is central to our clients' continued success. Innovation is at the heart of all entrepreneurship, be it in a high-growth-potential start-up company turning knowledge into solutions or in established companies that are constantly improving their products and processes and thus their ability to compete and win sales overseas.

Enterprise Ireland's annual accounts for 2011 were signed off by the Comptroller and Auditor General on 7 June 2012. As our annual report demonstrates, we support companies both directly, through the provision of financial supports and non-financial support through our client support network, and indirectly, by helping to build a wider enterprise infrastructure through our work with the seed and venture capital community and the banks as well as our work with the research community. The total budget available to Enterprise Ireland in 2011 was €336 million. This can be broken down as set out in table 1 of the briefing statement previously provided.

Enterprise Ireland client companies, located in every county, continue to make a substantial economic impact at a critical time in the State. At Enterprise Ireland we are keenly focused on our ongoing mission to support companies and support employment creation. We aim to move forward into 2013 with the objective of playing a central role in the implementation of the 2013 action plan, which will be published shortly. Notwithstanding progress made during 2011 and 2012, Enterprise Ireland-supported companies will have to increase their scale significantly in the future if they are to continue to win out against global competition. In this regard, access to finance to fund export growth will be a key determinant of success, as will the composition of the senior management teams and the leadership and ambition of the boards of emerging Irish companies.

Chairman: I thank Mr. Ryan. May we publish his opening statement?

Mr. Frank Ryan: Yes.

Mr. Andy Harkness: In respect of Enterprise Ireland's financial statement for 2011, which is the subject of today's discussion, I will outline some of the key figures to the committee. The accounts show income of €343 million and expenditure of €309 million. A clear audited opinion was issued in respect of those financial statements. The agency's activities are mainly funded by the Exchequer, with the bulk of funding from the Department of Jobs, Enterprise and Innovation Vote. Enterprise Ireland also generates income from profits on disposals of investments and seed and venture capital funds. The agency repaid €34 million to the Exchequer in

respect of 2011. This money was raised mainly from the sale of investments in client companies.

Enterprise Ireland's objectives include the provision of support for the development of Irish enterprises trading in world markets. Expenditure in 2011 was in four main areas. The agency provided direct financial support to companies in the form of grants and equity investments. In 2011, €59 million was provided by way of grants, an additional €57 million was provided through investment in shares and seed and venture capital funds.

€97 million was spent on developing science and technology. Approximately three quarters of the latter funding went towards developing industry collaboration with third level education bodies and realising the commercial potential of research, and the remainder was used to develop internal research and development activity in companies.

Since 2008 Enterprise Ireland has had overall operational responsibility for the 35 county and city enterprise boards. In 2011 it provided a total of €32.7 million to the boards. The committee will be aware that, as part of the rationalisation of public bodies, the Government plans to replace the boards with a new network of local enterprise offices.

The agency's administration, operation and promotion costs in 2011 amounted to €89 million, which was just under 30% of total expenditure. This related to providing services and non-financial supports to Enterprise Ireland's clients, such as the client services network, and corporate services costs.

Deputy Simon Harris: I thank Mr. Ryan and his colleagues for attending this meeting. I thank the staff of Enterprise Ireland for the tremendous work they have done over the past several years as we attempt to rebuild and recreate our economy. The statistics and information contained in the annual report and accounts for 2011 make it clear that the economy is being repositioned from people selling houses and property to each other to Irish companies selling their wares abroad. Great credit must go to Enterprise Ireland and its staff for their success in recent years. The €15.2 billion exported by client companies in 2011 was more than the pre-recession amounts in 2008. Equally, new export sales from Irish client companies, at €2.4 billion in 2011, was the highest ever level of gain. I also pay tribute to the agency's efforts to link with businesses and expositions. I recently attended the Showcase expo in the RDS, where the engagement of Enterprise Ireland with what have traditionally been small local businesses involved in craft production was very encouraging. The agency spoke to these business about the potential for their wares to be promoted on the global stage.

However, a number of questions need to be addressed in order to establish that everything is going well and to find out if there is anything that can be improved. Given our dependence on Enterprise Ireland to deliver, we need to be careful that complacency does not set in. In reading the annual report I was struck by the figures with regard to the cost of creating a job. The cost per job was €11,761 between 1996 and 2002; €4,385 between 2000 and 2006; and €12,024 between 2005 and 2011. The first question that springs to mind when looking at these figures from a remove is why has it become more expensive to create a job.

Mr. Frank Ryan: I will ask Mr. Hopkins to address that question and provide some background to it.

Mr. Paddy Hopkins: The cost per job is calculated by Forfás and the same formula is applied to IDA, Enterprise Ireland and the county enterprise boards. The calculation takes account

of all costs associated with grant-giving, as well as income received from sale and disposal of investments over that seven-year rolling period. This compares with the number of jobs created and sustained until the year in question. The current year figure of €12,024 applies in respect of 2011. The low cost per job between 2004 and 2007 was due to substantial own-resource income in 2000 and 2001. That was a mitigating factor in reducing the cost per job during that period. Since then we have been earning income from the sale and disposal of investments but not to the same extent as during those years.

As part of our investment strategy we are examining the cost per job with each investment we make. That is an important factor when we decide how to support a company. We want to make the investment at the lowest cost per job possible but we must be mindful of the state of the individual company and how it is operating so that the support we offer meets its needs.

Deputy Simon Harris: That is a useful clarification. The Action Plan for Jobs has played an important role in keeping State agencies focused on creating jobs. Enterprise Ireland is responsible for approximately 100 of the 270 actions in the plan, which is a significant proportion. How many of the 100 actions have been ticked off as done and what were the most important ones this year? One can only imagine the pressure that will result in any organisation given 100 new tasks to complete in a year. How did the agency deal with this pressure on its resources?

Mr. Frank Ryan: I hope Deputy Harris will find this helpful. The Action Plan for Jobs contained more than 270 individual actions to be delivered in 2012, spanning all Departments and 36 State agencies. The 270 actions were broken down into quarterly milestones. Enterprise Ireland had responsibility for more than 100 of these actions, representing one third of the action programme. Progress reports on the delivery of all milestones were published at the end of each quarter. Details of all actions delivered are available in these progress reports from the website of the Department of Jobs, Enterprise and Innovation. The fourth progress report is due to be published shortly and will outline a number of actions which Enterprise Ireland concluded in the last quarter of the year.

A number of significant objectives were realised, including the launch of the second call of the innovation fund for Ireland, the development capital funds, support for a record number of high-potential start-ups, the establishment of technology centres such as in cloud computing and support for more than 200 significant company projects involving investments of more than €500,000. Enterprise Ireland delivered in full and on time the vast majority of the more than 100 actions assigned to it by the action plan. The precise amount was 97%. We are, of course, operating in a challenging environment with regard to resources and I can provide details to the committee on the missing 3%. We are looking forward to co-operating closely with the Minister for Jobs, Enterprise and Innovation on the implementation of the action plan for 2013.

The actions have put an enormous strain on the resources of the agency. Over the last 18 months, 217 staff out of a total of 742 have been reassigned to new duties in order to meet the demands of our client companies and the requirements under the action plan.

Deputy Simon Harris: The annual report refers to Enterprise Ireland's 29 international offices. A lot of the bodies that come before this committee, including the IDA and the Department of Foreign Affairs and Trade, have international offices. The Chairman previously made the valid point that there is clearly a need for a more integrated approach. Can we have Irish offices that carry out multiple functions abroad? What are Mr. Ryan's thoughts on that? What linkage is there between EI, our embassies and the Department of Foreign Affairs and Trade? Is there scope for a more integrated approach? We need our embassies to very much be trade

missions as well. Will Mr. Ryan give the committee an overview of that? Has EI plans to open more international offices?

Mr. Frank Ryan: We have a network of offices overseas with 134.5 full-time equivalent staff. Where EI has overseas offices, the objective is to maximise their effectiveness and they are co-located with the Department of Foreign Affairs and Trade. I welcome the opportunity to address this issue because there is a little disinformation going around. Of our more than 20 overseas offices, 15 are currently co-located with an embassy or consulate, six are co-located with other Government agencies and the balance cannot be located beside an embassy. For example, in Australia, our office is in Sydney, which is the business capital, but the government capital is Canberra and there is no reason for us to have an office there. In Brazil, our office is in Sao Paulo but the government office is in Brasilia. Our embassies are located in Canberra and Brasilia and it does not make sense, therefore, to have us located there. In India, both ourselves and the IDA have a joint office in Mumbai, which is the business capital whereas the government capital is New Delhi. There are business reasons for us not being co-located in a small number of countries but we are co-located in 15 countries. The policy is clearly that first we co-locate with the Department of Foreign Affairs and Trade if possible. Second, if we cannot do that, we co-locate with the IDA or other Government agencies. It is only because of business demand that we have a small number of stand-alone offices overseas.

The Deputy mentioned the issue of resources earlier. We have permission to have a full staff complement overseas of 149.5. However, in recent months, we have been working with our parent Department and the Minister for Jobs, Enterprise and Innovation and we have submitted a plan to increase our overseas representation by 20 posts. These are people who would be employed in the field, not expatriates who would be sent from Ireland to these markets. That plan has been endorsed by the Minister and it is currently awaiting consideration by the Department of Public Expenditure and Reform. We believe there is an opportunity by 2015 for up to €250 million in additional exports from this resource, which we estimate conservatively would create 1,200 jobs in Ireland. We are strong in markets such as the UK, near Europe, Australia, Canada and United States but they are not the economies that are growing fastest now and, therefore, we have to be where the action is. We have set out a plan that would see us put additional resources into Brazil, Russia, India, China, South Africa, south east Asia, Korea, the Gulf Cooperation Council GCC - specifically, Saudi Arabia, United Arab Emirates, Qatar and Oman - Turkey and Japan. We have to go where the business opportunity is now and we hope the Department will view the submission positively.

Deputy Simon Harris: I am delighted to hear that. The then Chinese Vice President visited last year and there were a number of reciprocal visits by our Ministers to China. Has anything tangible happened since those visits in the context of exports?

I am pleased EI is proactive in co-locating with our embassies in the first instance. How do EI offices interact on a daily basis with our diplomatic missions in various countries? What is the linkage, for example, between an ambassador and EI? Are diplomats, many of whom do a wonderful job but who cost a great deal of money, maximising the service from the point of view of the economy as well as in the context of broader diplomatic issues?

Mr. Frank Ryan: The visit of Vice President Xi Jinping changed everything in regard to China. It is fair to say that prior to that visit not many Chinese people knew where Ireland was. We have to deal with reality as well in EI. It is probably one of the biggest coups the country has brought off in recent times. He started out in the US and then travelled to Ireland and it was an enormous coup. Many of our European partners would only have loved to have had

that opportunity. We had him in Ireland for three to four days, which gave us an enormous opportunity. The press coverage of the visit in China was phenomenal. There is a good chance if one mentions Ireland in China now, people know what one is talking about. That is the degree of the step forward that has happened. It is difficult for us in China because, traditionally, the Irish did not emigrate to that part of the world. The Irish diaspora is not strong in China and, therefore, that recognition of such a visit is important to us.

We are closely working with our colleagues in the Department of Foreign Affairs and Trade, to which we report on trade matters, and that is in great evidence in the context of the work of the export trade council, to which we also report. Ambassador Declan Kelleher is Ireland's lead person in China. He will shortly be replaced by Ambassador Paul Kavanagh from Paris. There is an integrated plan for the top 25 countries in the world involving all the agencies, which is co-ordinated by the Departments of Jobs, Enterprise and Innovation and Foreign Affairs and Trade and, therefore, the left hand knows exactly what the right hand is doing. There are commitments and the ambassador is the lead person in overseeing and bringing that team together. That is working increasingly well. It is of huge benefit to our companies to help them to be introduced to the markets at the level of an ambassador, as it gives them increased credibility.

Deputy Simon Harris: Our exports grew by 5% in 2012, which was approximately twice the world average. Clearly, we are doing well on that front but we need to have an honest discussion about what needs to be done going forward. What are the main challenges facing Ireland's cost base as an exporting country? Has EI identified skills or capacity gaps in the context of exporting? If so, what needs to be done to address them? We have heard about them from employers in the context of FDI and locating in Ireland.

Mr. Frank Ryan: With regard to the cost base, we are a developed economy now as opposed to a developing economy. In a developing economy, the cost base would be tracked tightly while in a developed economy such as Ireland's innovation needs to be tracked because overseas buyers look at Ireland as a source of sophisticated products and services. In the past, they would look to Germany, the UK, US, Japan and Switzerland for such products but Ireland is now on that list and, therefore, the companies making export gains worldwide are intellectual property, IP, rich, highly innovative and dedicated to active research and development. Innovation is making the difference in the numbers and the capability of the companies. We are concerned about the cost base, particularly in manufacturing. One of the things that happened in 2012 was our manufacturing base remained steady and we are keenly focused on that in the context of the lean manufacturing initiative on which we are working with our companies. There is ground to be made up. If a company is not efficient at home, it will not be efficient overseas. We have to address efficiencies in the plants and we have continued to work with our companies on the lean manufacturing approach. In terms of the skills gaps, we would have exactly the same pressures IDA Ireland has in relation to the skills. We would have vacancies currently in relation to computer science graduates, particularly software people who have five to eight years' experience. We would have gaps in relation to semiconductor design engineers and we would have perhaps some gaps on the engineering side. Perhaps it is a nice kind of problem to have to some extent, but what we have done in Enterprise Ireland is that we are setting up this year - at the start of it - a small skills unit within Enterprise Ireland to focus on the skill needs of our clients. We are not in a position whereby we are supporting companies - we are actually financially supporting vacancies in concept as opposed to jobs. We want the jobs to be filled when people get approval for jobs.

We are working closely with the Department of Education and Skills. There has been a

very good reaction from that Department in relation to the conversion courses for people who had considerable skills in the construction sector - architects, engineers and quantity surveyors. They tend to be very good at maths and good at maths is the key discipline required to transfer successfully into a career in computer science. The first of those people are now coming off that - I think Springboard is the name of that programme. The reaction back from our clients to date is very positive in relation to the quality. Our view of that is: why would it not be? These people are very qualified and very well experienced. They are experienced in business and experienced in life as well because they are not graduates just coming out of university - they have been around for a while, both overseas and at home, and therefore they can add value to the companies concerned. However, it is an area of focus for us. It is an area where we continue to liaise with IDA Ireland, with our parent Department and with the Department of Education and Skills.

Deputy Simon Harris: One of the biggest problems about which we all hear and know is that of accessing credit for companies that want to export or just establish here. I know that Enterprise Ireland has undertaken some work in this area. The *Sunday Business Post* reported that Enterprise Ireland was in talks with banks about developing a new credit line specifically for technology and export companies. How have those conversations with the banks on that credit line gone? How successful has Enterprise Ireland's banking relations department been to date?

Mr. Frank Ryan: The man, who heads that up, Mr. Niall O'Donnellan, is here. To give the Deputy a comprehensive answer I will ask him to comment on that.

Mr. Niall O'Donnellan: We set up the banking relations department in 2008 in response to the credit crunch. The immediate issue was access to credit of companies that we were dealing with and which were under considerable pressure at that time. The team consists of three experienced executives and we work with our front line. As they are working with individual companies, issues of credit arise in various contexts and the team then interacts with contacts it has established with the banks. In particular we have established relationships with the three primary banks, AIB, Bank of Ireland and Ulster Bank.

We have a central contact point. We have talked about the kinds of issues our companies face. That central contact point is responsible for helping to introduce us to the individual bank account manager who would be dealing with the individual company, obviously with the agreement of the company. We would then engage with the bank on the particular issues that might be facing the company in relation to bank credit and the need for the company to get particular facilities. We would deal each year with approximately 150 companies on that basis. In some companies there would be a number of multiple interactions if they were dealing with a number of different banks. In 2011, we had 190 interactions in that context. Over half of those clients that we would have worked with would have got new facilities. Some would have got restructured and confirmed facilities. There would have been some declines - approximately 20%. Then in some cases the company might have been offered a revised banking loan but would have found it not appropriate to their particular situation. That is our intervention on immediate issues in relation to companies that we work with through the banking relations team.

As we got more involved through the years 2008, 2009 and 2010, we realised that actually there were some bigger issues involved - the issues that are common to all companies in the economy, such as the lack of experience in the banks in actually dealing with business plans, cash flow lending and that kind of issue, the challenges there would be in terms of requests for collateral and so on, the reality of debt overhang on a personal or business basis, particularly coming from the property boom, but that is an inhibitor, if one does not want, to the businesses.

All of those are issues that, if one likes, are shared by our companies as well as companies in the rest of the economy.

As we got involved in the discussions with the bank, we also realised that actually the Irish banking system was not fit for purpose for the modern exporting sector - the modern SME exporting sector in particular, and particularly in three respects. First, the Irish banking system had not, actually, become familiar with the modern technology economy so software, for example, was a sector that Irish banks would have very little involvement in up to that period of time. Also med-tech and clean-tech, in other words the new technology sectors, would be areas that they were not familiar with. The second feature was and is the area of new markets. Irish banks would have been lending to companies which were exporting to the UK and that was a reasonably common and comfortable area from a banking point of view. However, once one went beyond the UK and particularly once one went beyond the EU, that then became a more challenging question, if one likes. Obviously in the recent years where the Irish banks have reduced their overseas involvement, that has become an even more challenging issue. Third, there were certain products that are important to exporting companies, such as performance bonds, invoice discounting for software companies and similar types of products that again the Irish banking system would not have been familiar with.

So we have undertaken with the three primary banks in particular, but not exclusively, a programme of work which involves first of all a number of workshops with them in terms of educating them about the kinds of companies we work with and introducing them to various groups of companies: the Irish Software Association; the IMDA - the med-tech association, and so on. Second, we work with them and encourage them to take on people who actually have experience in these areas. For example, in AIB the emerging sectors team is a product of that where they have taken on five or six people who have actually worked in software, VC and so on.

On new markets, we have been working with the three banks, encouraging them to get involved in our trade missions. On some of the missions to China, for example, there have been representatives from the banks. They have also, for the past number of years, participated in our international markets week where they have stalls. The companies can meet them and talk about the financing issues that they have as they are meeting our colleagues from overseas about particular entry into new markets and so on.

Last and by no means least on the question the Deputy asked about facilities, we have been working with them on encouraging them to think about particular new facilities they might be able to offer to innovative and exporting companies. An example of this is that AIB has recently got a risk-sharing facility from the European Investment Bank for up to €80 million. That is particularly aimed at innovative companies in the new sectors as it were. For us that is a very positive and heartening development. We are engaged with particularly the two pillar banks in discussions around how they can use the recently introduced loan guarantee scheme to underpin the kinds of offers they might want to offer the kinds of companies that we work with.

The Deputy asked earlier about some of the issues. Export working capital remains a major issue for our exporting companies as they enter new markets and try to root themselves there. Having the ability to offer flexible terms to new and existing customers and having enough money to spend on the sales forces they need to put into those countries are extremely important. Lack of export working capital is a major constraint on many companies and is a gap in our banking system. We know our companies are in competition with those from other countries with more supportive banks and government-backed risk sharing schemes such as the

export credit insurance scheme in Germany and the Export-Import Bank of the United States. We see measures like these as being particularly important, a major priority for the agency and our clients and an input into the action plan for jobs 2013.

Deputy Simon Harris: That was a very enlightening answer which we probably needed to hear because I had never before heard of our banks being so ill-equipped in terms of knowledge to deal with an export economy. It is very helpful to have that acknowledged here. Is the situation in our banks improving? Mr. O'Donnellan has been dealing with them since 2008. How does he find the situation now? If he does not wish to answer the question, that is okay.

Mr. Niall O'Donnellan: In fairness, progress has been made. There is much greater awareness, particularly at the centre of the banks, of the issue and the major opportunity it presents for Irish banks. Central contact and liaison teams have been established in the banks. In addition, our CEO meets the CEOs of all three major banks every six months which has helped stimulate and push forward the agenda. Progress has been made but the shared view among clients, banks and ourselves is that there is certainly a lot of ground to be made up. We are still not where we need to be from the broader perspective of being a small, open exporting economy.

Deputy John Deasy: If Mr. Ryan does not mind, I will stick with Mr. O'Donnellan on that very relevant point. When one hears news reports about many AIB bank branches around the country not having computers or not being linked up to the Internet, one may not be surprised by what Mr. O'Donnellan has just said. People will be concerned about State-owned banks having that kind of skills deficit. He picked out those three areas and said they are not fit for purpose with regard to the modern technology economy, geographical issues, markets outside the UK and the EU and the global economy. He also pointed to issues relating to certain kinds of products. Bankers have been telling me for some time that foreign banks located here are taking advantage of the deficits that exist in our banks and are doing so not just from the standpoint of an information or skills deficit within banks but also the lending regimes. Could I explore this issue with Mr. O'Donnellan? He said there is ground to be made up. It is a serious issue. The question is what needs to be happen.

Mr. Niall O'Donnellan: As I already said, there is an agenda of action and change in the three primary banks which certainly acknowledge the issue and have in various ways made investments and efforts to address the issue. The things are major changes which require major changes within their systems to take place. In respect of foreign banks, from our perspective, our focus is on the needs of our clients. We are strongly of the view that there needs to be an improved response from existing banks located in Ireland. We are also very positive about other banks getting involved and supplying the needs of those clients. For example, the entry of Silicon Valley Bank into the Irish market is a very welcome development. This is a highly specialised bank which originated in Silicon Valley that is deeply experienced in lending and investing in software companies and the software industry. This is an industry worth over €1 billion on the indigenous side. Silicon Valley Bank has entered the Irish market with a view to providing facilities to some of our companies that have particular growth and export potential. We see that it will be able to co-operate with existing Irish banks but also compete with them. From a broader perspective, that is a welcome development. There are other overseas banks with a particular interest in some aspects of the Irish exporting sector.

We see it as a need for a richer and more developed ecosystem that includes all elements in competition and co-operation. The primary banks are particularly focused on the full range of companies in terms of size while typically many foreign banks entering our market might focus on the larger SMEs or the mid-caps. We think everybody has a role to play. For us, it is

all about the needs of our clients and building up the capability of the various elements of the banking world to respond to those needs. The launch of the SME credit fund by the NTMA, which is a non-banking solution, is also part of attempts to build up a range of supports and credit facilities, both banking and non-banking, which meet the needs of our exporting companies and the full range of companies in the wider economy.

Deputy John Deasy: In respect of the more fundamental mainstream issue of lending in its purest sense, I know every company is different, as Mr. O'Donnellan explained. He spoke about the percentages with regard to companies with which Enterprise Ireland deals and the credit facilities they were given. Dealing with those three main banks, what kind of problems exist with regard to that element? Are companies going to foreign banks as a result of not getting credit from those three main banks?

Mr. Niall O'Donnellan: It varies from company to company and depends on the relationship the company has with the bank and the history in many cases.

Deputy John Deasy: I am asking whether problems exist. What are the problems with our banking sector with regard to the fundamental issue of lending to these kind of companies?

Mr. Niall O'Donnellan: There are still issues on the supply and demand sides. Deputy Deasy indicated some of them with regard to the supply side in terms of the banks. These problems concern their experience of cashflow lending and the skill they have in that. Banks are now re-skilling and upskilling their front-line teams to be able to deal with the full range of businesses in the Irish economy from the microbusiness to the small business to the medium-sized business to exporting elements and some of the larger companies. That is an issue of skill and confidence, particularly on the front line. They are very important issues that banks are seeking to address. The supply of funding is important and their relationship with the EIB is particularly important in terms of being able to access funding for SMEs. I have already referred to the AIB facility of €80 million which is particularly important because it is targeted at innovative companies, particularly exporting companies.

Deputy John Deasy: Mr. O'Donnellan also mentioned our competitors in other countries who have access to government-backed risk sharing schemes. Is there a deficit here with which we need to deal?

Mr. Niall O'Donnellan: The short answer is that there is a deficit. We regard this as a very important issue to address. We need to understand the various needs of our companies from a working capital perspective and the responses that companies in other countries can avail of for similar needs

Deputy John Deasy: What needs to happen?

Mr. Niall O'Donnellan: What is happening is that there is a proposal to review the issue and to establish what options must be considered from a risk-sharing point of view. In almost every other country against whose companies ours are competing, there is some form of risk sharing scheme which is underwritten by the Government where exporting is taking place to higher risk countries and regions. While some countries represent a higher risk now, in the long run they will offer greater opportunities. That is the case in relation to the BRIC countries. Risk sharing is an important element of a full suite of supports which need to be available to exporting companies. It is an important issue and one of our top priorities in 2013 is to have it addressed.

Deputy John Deasy: I wish to address with Mr. Ryan the proposal to amalgamate county and city enterprise boards within local authorities through the establishment of local enterprise offices. I voiced my concern about this on the floor of the Dáil and I am surprised others have not raised it. My experience of local authorities and their association with the commercial world is not good. The last place local enterprise offices should be placed is within local authorities. A professional culture does not exist in these organisations and enterprise boards should not be put anywhere near them. There are advanced plans to have the Leader groups around the country do the same thing. Enterprise Ireland is associated with this. What will its role be? How will Enterprise Ireland guard against the very anti-commercial culture that exists in some of the local authorities seeping into these incredibly valuable organisations to affect the creation of start-ups?

Mr. Frank Ryan: I agree with the Deputy on the high quality work which is carried out by city and county enterprise boards. One of our key objectives is to maintain high morale within those bodies. A couple of months ago, we asked all of the staff of the boards to come to Enterprise Ireland to have a chat about managing the process and to provide our input into it. The Government has decided to restructure the microenterprise and small business support system and to introduce, in due course, legislation to dissolve the 35 county and city enterprise boards and to establish instead local enterprise offices. To date, Enterprise Ireland has had a largely financial co-ordination relationship with the enterprise boards. The relationship will change fundamentally. We are in the process of setting up a centre of excellence on microenterprise, which we have not had before. The centre will work with the new local enterprise offices in relation to how they might operate. The process is advancing apace and three sub-committees have been established by our parent Department to work on challenges to a smooth and efficient changeover. Enterprise Ireland is represented on those sub-committees and contributing to their work.

Going forward, there will be a service level agreement between Enterprise Ireland and each local enterprise office which will set out exactly what is expected in return for the funding which will be made available. Performance indicators and a metrics driven system akin to the one in place in Enterprise Ireland itself will be put in place in respect of the enterprise offices. We have a great deal of time for the work of the city and county enterprise boards and we want to see it continue. It is important to every county to have local enterprise facilities because they are the main link to microenterprise. Enterprise Ireland is not that link. It operates perhaps one step up from that with a particular orientation towards exports. We are getting increasing transfers of companies from the county and city enterprise boards which have developed and are at the stage where they are becoming clients of Enterprise Ireland. It is a very positive development.

Deputy John Deasy: My two cents is that local authorities are dysfunctional when it comes to the commercial world. Local enterprise offices should not be placed within local authorities at all. The role of Enterprise Ireland as a guardian of what occurs after the legislation is passed will be incredibly important. Local authorities are political organisations and are in many respects inefficient. They are driven by a wholly different mindset to that of the business and commercial world. I see trouble coming down the line if that kind of influence is exerted on organisations which have worked very well. Waterford County Enterprise Board in my constituency is a good organisation. The integration of enterprise bodies into local authorities will take some minding and watching. Local authorities are the last bodies under which the enterprise offices should be set up.

I have raised the issue of the regional spread of jobs here and on the floor of the Dáil. I picked out from Enterprise Ireland's annual report for 2011 that 42% of its sponsored companies are based in Dublin. While that is understandable, there is a difficulty with the IDA and Enterprise Ireland acknowledging that certain urban areas are getting the lion's share of investment and jobs, whether originating domestically or from abroad. No one is complaining that Dublin, Cork and Galway are centres to which enterprises are attracted, but a regional imbalance and disparity is developing. It is becoming worrying. Has Enterprise Ireland identified this as a problem and does it have a policy to draw investment into areas like the south east which are experiencing unemployment rates of 19%? There are parts of Waterford City where the unemployment rate is closer to 25%. It is becoming a major regional problem. I have asked about how the new EU post-2013 regional guidelines will take shape as they are being drafted over the next couple of months. Does Enterprise Ireland look at places like Waterford and see the deficit, which is worsening as the years go on?

Mr. Frank Ryan: It has been a perennial challenge. As the issue is different for the IDA, I will talk about the Enterprise Ireland side of the fence. Any region has two things going for it. It has its existing companies and its entrepreneurship or start-up rate. Jobs do not come from any other source in the world of Enterprise Ireland. The slight majority of our companies and jobs are located outside Dublin. Unlike the IDA, we have client companies in every part of every county. It is very distributed. I will share some of the breakdown of figures for 2012 which I hope will be helpful to Deputy Deasy. There are 145,460 jobs in Enterprise Ireland supported companies, of which 65% are in counties other than Dublin. Job commitments for 2012 totalled approximately 7,600, 66% of which approvals were in companies outside Dublin. There were 97 new high potential start-up companies in 2012, of which 41% were outside Dublin. The term "significant investment" which I mentioned earlier, relates to investments by established companies of €500,000 or more. Of the significant investments in 2012, 57% were made outside Dublin. Those statistics highlight our starting position. We have more jobs outside Dublin than within. That is the portfolio.

Deputy John Deasy: That is fair enough.

Mr. Frank Ryan: Last year, 67% of the innovation vouchers, whereby small companies can get a voucher worth €5,000 to work on a new idea, went outside Dublin. That gives me some encouragement.

Deputy John Deasy: Mr. Ryan has cited those figures and I accept them. I am talking about the unemployment figures, which speak for themselves. It is indisputable that some parts of this country are experiencing massive levels of unemployment. I am trying to get across the idea that, from a policy standpoint and based on those figures, the organisation needs to identify and accept that. I accept everything Mr. Ryan has thrown at me about where the organisation creates these jobs and the percentages, but an imbalance has arisen to the effect that there is more unemployment in some parts than others. This needs to be addressed from a policy standpoint within Enterprise Ireland, the IDA and the Departments that have a role. I have raised the issue of regional guidelines and incentives with the IDA. While they may be given to these companies, they are not working. The IDA accepts that they are not working. They are not attracting companies to the regions that are experiencing massive levels of unemployment. Enterprise Ireland needs to consider this, and policies within the organisation need to be geared towards spotting, identifying and accepting that there is a problem that needs to be examined.

Picking up on what Mr. Ryan said about the small skills unit and Enterprise Ireland's position on university-led indigenous job creation, Mr. Brendan Murphy, the president of Cork In-

stitute of Technology, said last summer that creating a vibrant technological university sector is the most important significant recommendation in the national strategy for higher education to 2030. He highlighted how higher education can make a major contribution to the development of indigenous enterprise by pointing to CIT's association with Enterprise Ireland in operating the Genesis programme which has resulted in 200 start-up companies, over €100 million in investment and the creation of almost 2,500 jobs. Mr. O'Donnellan alluded to the importance of this, as did Mr. Ryan. The HEA and the Department of Education and Skills are adjudicating on applications for the creation of more technological universities. If that is where Mr. Ryan thinks the emphasis should be, what role does Enterprise Ireland, with the Department and the HEA, play to deliver on that? The creation of these technological universities is important when it results in such figures.

Mr. Frank Ryan: We have a long history of working directly with universities and the institutes of technology which we see as an engine of growth in their regions. It is not Enterprise Ireland's responsibility to direct Government policy. We are required to implement it. My colleague, Gearóid Mooney, will talk a bit about the New Frontiers programme and the spin-out levels we are experiencing from universities and institutes of technology in business start-ups. In many regions the institute is the jewel in the crown for many of the type of business start-ups that can have international success.

Mr. Gearóid Mooney: We believe that they are absolutely vital. One of the significant investments of recent years has been to ensure that each institute and university has a fit for purpose campus incubation which was co-funded by Enterprise Ireland. We also helped the institutes of technology fund the professional management of those incubation centres. The Deputy is absolutely right. Waterford is a shining example of how co-locating the incubation centre with the institute has led to the establishment of a software industry that probably should not have existed in Waterford. Unlike the normal impacts of business around there, this industry has been driven from the educational facility. Also in Waterford one sees the flow of graduates and researchers into local industry and start-ups. It is vitally important to equip the institutes properly for incubation. In 2011 and previous years there was a programme aimed specifically at linking companies in the region to the institutes and funding those projects. This evolved in 2012 into the Technology Gateway programme which was set up specifically to give the institutes the resources to reach out properly to industry and to engage with it. Rather than wait for industries to show up and ask for research, the institutes actively market the research. This is having quite a strong influence. Approximately 150 projects a year are completed between the institutes and companies. More and more the companies fund these, particularly the smaller projects, without an incentive from anybody else because the infrastructure exists with which they can interact.

Whatever shape the technological universities take, our main emphasis is to make sure that the infrastructure exists for us to get the maximum commercial impact out of them. Even if they are re-shaped with the infrastructure between the technology gateways, we do not see any reason they would not survive any kind of restructuring or re-shaping. We will continue to have the means to get the researchers engaged with companies in a commercially productive way.

Deputy John Deasy: I have one last question. It is appropriate that I should speak on behalf of my own constituency. This issue affects the western side of my county. Enterprise Ireland has been in talks with individuals who came together to put together a proposal to Enterprise Ireland for Cappoquin Chickens, the food processor. Effectively, the company brings commercial life into the west of the county. There is no great industrial manufacturing base on

that side of Waterford. Can Mr. Ryan give us an idea of how that is progressing and what we can expect from that process?

Mr. Frank Ryan: I am conscious that Cappoquin Chickens is a trading entity and will respond with that in mind. We have been in deep and regular, almost continuous, contact with that company and the new start-up over the past two months. I and my colleagues met the full senior management team last Wednesday. We continue to work with them. We are impressed by the management team there and we continue our interaction with them. We are very conscious that the jobs lost in that part of Waterford could not be replaced in the foreseeable future.

Deputy John Deasy: I want to impress on Mr. Ryan the singular importance of that operation to that part of the county because of the dearth of an industrial commercial base in that area. It is absolutely critical.

Deputy Sean Fleming: Mr. Ryan and his colleagues are welcome here today. Enterprise Ireland is one of the most important organisations in the country at present with regard to helping to return growth and employment to their former strength. There has been quite a change in the economy in recent years and Enterprise Ireland has a very important role as a State agency to help find solutions with regard to unemployment. Mr. Ryan has given us a breakdown of the organisation's full-time and part-time employment by region. Will he send us this information on a county basis and the number of clients Enterprise Ireland has? He may not have it here.

Mr. Frank Ryan: We do not have it yet but we will.

Deputy Sean Fleming: I ask him to send us the most recent information available. The area I come from tends to get lost as the region is unusual. I do not have a full fix. The IDA does not know my county exists but Enterprise Ireland is a little better in this regard and I would like to see its information.

I had a look through the accounts this morning and last night. Page 57 details the income and expenditure for the year. The largest item in the accounts is financial support to industry, which was €194 million in 2011. The corresponding figure for the previous year was €294 million, so this represents a drop of more than €100 million at a time when one would have hoped support to industry would have been at its highest. This is referred to in the notes to the account. The biggest drop is in the employment subsidy scheme. According to note (a) on page 63, the scheme ended in 2011. I would have thought that if any scheme should have been continued from 2011 onwards, it was an employment subsidy scheme to support the retention of full-time or part-time jobs and viable enterprises which might otherwise be lost as result of the impact of the global and financial recession. To see a cutback of more than €100 million under this heading is extraordinary at a time when we need to protect jobs. One can talk about start-ups and innovation but the most important thing is to hold onto what we have. I am amazed there was a cut of almost 50% in funding in an area I would say deals with job retention. Will Mr. Ryan explain why this is and where we are going in terms of job retention, given that there has been such a drop-off in this area?

I am confused by an entry on page 56 with regard to a contribution to the Exchequer of €34 million during the course of the year. This is detailed in note 10 on page 68, where it is described as excess proceeds over the amount accounted for in the Government Book of Estimates. Enterprise Ireland is handing back approximately €30 million. Ministers fight hard for allocations for organisations such as Enterprise Ireland. I find it mind-boggling. The subsidy for employment for existing companies is being cut by €100 million while money is being

handed back to the Government. Could the €30 million handed back to the Government have been used for job retention? These figures stick out as going in opposite directions and I ask Mr. Ryan for a comment.

Mr. Frank Ryan: I will ask Mr. Hopkins to address these issues.

Mr. Paddy Hopkins: I will address the contribution back to the Exchequer. To fund our activities we receive a grant-in-aid figure at the beginning of the year and we also have an agreed own-resource income target. This is how we fund our overall budget for the year. The agreement with the Department of Jobs, Enterprise and Innovation and the Department of Finance is that any excess income we earn beyond the agreed figures is refunded to the Exchequer. Our budgets are set on this basis. As the Deputy can see from the accounts, we have a substantial portfolio of shares and there can sometimes be a trade sale, rights issue or conversion which brings about a windfall of own-resource income. This happened in 2011.

Deputy Sean Fleming: How much was it? The accounts detail Exchequer grants of €304 million and own resources of €9 million plus funding from third parties of €18 million and some disposals. The €34 million being returned still seems a high figure.

Mr. Paddy Hopkins: This was the amount in excess of the figure we had agreed with the Department at the beginning of the year.

Deputy Sean Fleming: What figure is typically agreed for the year whereby funding over own resources is returned?

Mr. Paddy Hopkins: For capital purposes it is €18 million.

Deputy Sean Fleming: Will the witnesses provide the committee with a note on this topic? For us to tease it out here in public now could get a little tedious. I would have assumed Enterprise Ireland had an estimate of what its own-resource funding would be. Is the €34 million in excess of what Enterprise Ireland expected-----

Mr. Paddy Hopkins: In excess of the agreed own resources.

Deputy Sean Fleming: The previous year Enterprise Ireland was in excess by €32 million. It seems to be out by approximately €30 million each year in its estimate of its own resources. I would like a note on this because I do not fully get it. Perhaps the note will clarify it for us.

Mr. Paddy Hopkins: Absolutely.

Mr. Frank Ryan: Mr. Hopkins will now discuss the major change in our funding year to year.

Mr. Paddy Hopkins: As the Deputy mentioned, the big item is the employment subsidy scheme. This was a one-off initiative announced by the Government in late 2009 and we spent a total of €114 million, most of which went out in 2010. A small amount went out in 2011. It was a one-off initiative that we administered on behalf of the Government in 2010 and 2011.

Deputy Sean Fleming: In 2011 there was the action plan for jobs.

Mr. Paddy Hopkins: Yes.

Deputy Sean Fleming: I do not see where the jobs are but I see the loss of support for the companies. There are no figures for the jobs created as a result. Enterprise Ireland was respon-

sible for 100 actions in the action plan for jobs but there are no figures on how many jobs were created by these 100 initiatives. It looks as if somebody got away lightly with regard to the net outcome from the announcement of the action plan and cutting the employment subsidy scheme by more than €104 million in the same year. I am not referring to the witnesses, but at political level. We were distracted from losing €104 million in the employment subsidy scheme by PR announcements and action plans for jobs. I still do not know how many jobs were created. Enterprise Ireland did not announce the action plan for jobs.

Mr. Frank Ryan: Our role was to administer the employment subsidy scheme on behalf of our parent Department. We have no authority to extend the scheme. It came to its end. The employment stabilisation fund also came to an end during that period. This is the vast majority of the difference between the two numbers. The schemes are no longer open to us. The employment subsidy scheme finished at the end of the temporary aid approved under European State aid rules.

Deputy Sean Fleming: With regard to financial support for the agriculture sector, which is one of our most important sectors - people will understand why I raise this issue - in 2011 approximately €6 million was provided for the dairy investment fund, while €8 million or €9 million was provided in the previous year. This was to help concentration of the industry. Enterprise Ireland invested €7 million in the beef and sheep meat investment fund in 2011 and more than €10 million the previous year. Are we over-concentrating key sectors in the hands of a small number of people in the private sector? There was a time when we had many disparate co-operatives in the dairy sector. Major rationalisation has taken place but now funding has been provided for further rationalisation. Having a few super-companies in the dairy sector helps in the international field. However, on the beef side, there might be an over-concentration of production resources in the hands of a few people. Given the incident in recent weeks, we must ensure a variety of production facilities to take up the slack if something happens to a particular producer or company group. Is Mr. Ryan concerned that the scheme is contributing to over-concentration? Farmers are trying to sell their products to a cartel of two or three bodies that control the overall price. It is bad enough that two or three supermarket buyers, the Tesco and Dunnes Stores of this world, can dictate prices to their suppliers. If there are only two or three major dairy groups and beef processors in the country, there is little competition between the bodies to which producers sell their products. Is there a fear of over-concentration?

Mr. Frank Ryan: The dairy and beef funds were put in place by the Department of Agriculture, Food and the Marine, on whose behalf we are required to administer them. The dispensing of funds by Enterprise Ireland is coming to an end.

What has been achieved on the dairy side is impressive. The removal of the milk quota in 2015 will present an opportunity, as set out under Harvest 2020, to increase dairy production by 60%. I assure the committee that Enterprise Ireland is working with the dairy sector on the role the latter can play in ensuring that the increased production is carried out as efficiently as possible and with as much value added to the State as possible.

Ireland has 30 beef abattoirs. In 2012, they slaughtered 1.5 million cattle. We understand that three companies control approximately 56% of the market, with the balance widely held by the other abattoirs. Many beef abattoirs do not slaughter on a five-day week. There is little sign of an over-concentration of production capacity in the beef sector.

We have an opportunity to secure the future of Ireland's food industry for the next ten to 20 years. How we manage the period up to 2020 will decide that future. In terms of technology

and sophistication of the product, the dairy side is probably further ahead than the beef side. The dairy side has focused on the ingredients world, where the mark-up and value added are much greater. There is an opportunity for a similar approach to be taken on the beef side. We are in discussions with some of the companies regarding ingredients that might be found in the beef area that could become high-mark-up items.

Enterprise Ireland is playing a full and active role. We are represented on the Harvest 2020 committee. We are very awake to the opportunities.

Deputy Sean Fleming: Deputy Deasy referred to county and city enterprise boards, CEBs. People have different opinions on the matter. Is Mr. Ryan concerned that Enterprise Ireland will lose some of its local contacts? Its relationship with local authorities cannot be as specific. The CEBs' chief executives are not high up in the public service and will go in at a grade below that of director of service. Their positions will be subsumed. Instead of paying the CEBs €29.7 million, will Enterprise Ireland simply hand that money over to local authorities? What mechanism will it have in place to ensure the money is spent on job creation rather than filling potholes?

Mr. Frank Ryan: We always dispense our moneys on the basis of tough love - that is, no money without results. The service level agreement being put in place will address this specific issue. We want results. Our parent Department and the Department of the Environment, Community and Local Government are awake to the requirement for KPIs and for funding to the CEBs not to be regarded as automatic. I hope we will be able to arrange a similar allocation of funding under the new local enterprise offices, LEOs, but that matter must be decided. The funds will be subject to new KPIs.

Deputy Sean Fleming: What are KPIs?

Mr. Frank Ryan: Key performance indicators. The LEOs will be required to perform. Initially, there will be a transfer of staff from CEBs. They are experienced and I have confidence in their capabilities. We will work with them on centres of excellence for micro-enterprises.

Deputy Sean Fleming: A major issue for this committee is that we have no function in auditing the money spent at local government level. Will Enterprise Ireland be able to verify independently how its money is being spent? The committee will not be able to do so for it through audits of the local authorities or appearances at our meetings by council managers. What function will Enterprise Ireland put in place to have spending independently verified?

Mr. Frank Ryan: As far as I am aware, the final decision on the auditing side has not been made. We expect to receive that from our parent Department in due course. Currently, all that I can confirm for the Deputy is that the Comptroller and Auditor General does not audit the CEBs through Enterprise Ireland. They are audited separately.

Deputy Sean Fleming: Their audits are laid before the Oireachtas.

Chairman: They are audited by the Comptroller and Auditor General. The accounts of each CEB are submitted to us.

Mr. Frank Ryan: That is correct, but that part does not come through Enterprise Ireland.

Deputy Sean Fleming: That chain will be broken. There is accountability to the Oireachtas for funding given through a national organisation such as Enterprise Ireland, given that the

accounts of each CEB are laid before the Oireachtas. That link will be broken when the money is dispensed through local authorities. In line with the Chairman's strong opinions on this matter, the committee might consider contacting the Minister to ensure that an audit trail for State funding is not lost in the local authority system. This committee has no authority in that regard. I know that it is not the Chairman's decision.

Turning to the issue of banks and small and medium-sized enterprises, SMEs, I have read Enterprise Ireland's report. It is working with the banks and encouraging them to concentrate their lending in strategic economic growth areas. Encouragement is good. Are the banks doing it? I am encouraged to see that Enterprise Ireland has held international forums in London. Many of its client companies are meeting overseas contacts with international management experience and knowledge of technologies. If Irish banks are not lending, is there an opportunity for some of the foreign banks to invest in Irish manufacturers on advice from Enterprise Ireland? Let us say that some of the companies that Enterprise Ireland deals with export to and have a strong presence in a particular country. Is Enterprise Ireland exploring the possibility that such companies could source financing from banks in that country?

It was stated that Enterprise Ireland had 97 high-potential start-ups. How does it identify a high-potential project? We are all approached by people who believe they have high-potential ideas. They are normally directed to the enterprise boards and so on. I believe there was a simple rule of thumb that an organisation with fewer than ten employees went to the CEBs while an organisation with more than ten employees went to Enterprise Ireland. Will this link remain?

The main issue facing most of Enterprise Ireland's client companies is the level of overhanging debt. Many may have invested in premises, machinery and upgrades during the good times - the expensive times - and are now carrying large debts. These debts are not core to manufacturing, exporting and finding new markets. I understand the troika is looking at the issue of relief for mortgage holders. There also needs to be relief for small businesses, many of which have tremendous potential but are possibly being held back because of an overhang of debt, servicing of which is preventing them investing in job creation. Has Enterprise Ireland asked that this issue be raised with the troika? I understand they specifically mentioned this topic on the last occasion they were here?

Mr. Frank Ryan: Mr. Donnellan has already commented on our working relationship with the banks. I would like to add a further comment which I hope committee members will find helpful. We want our client companies to hang out with the best. It is as simple as that. We would like that to be the Irish banks but that is just because we are an Irish agency. If the funding is supplied by overseas banks, that is fine. For those of our client companies exporting to Brazil, Russia and China, the overseas banks, which have a good contact network in these areas, supply more than finance. They supply strong sectoral and market knowledge of areas, including on what a contract in the United Arab Emirates means, because it means something different in Saudi Arabia. We want that type of input for our clients. We are agnostic as regards where that comes from. We try to be commercial in that type of situation. The Irish banks are in competition with overseas banks in relation to meeting the needs of our clients.

Since its establishment Enterprise Ireland has invested in approximately 700 to 800 high potential start-up, HPSU, companies. On an annual basis, approximately 450 innovators and promoters bring their projects to us. We select the best of those, who then receive special attention, including special training programmes for their management teams and so on, to bring them to what we term "scaling companies". In other words, companies that can reach at least €5 million in turnover within a five to seven year period. A full commercial evaluation of each

project is undertaken. We invest, with others, in these high potential start-ups. As such, we are not investing on our own. These companies usually raise funds from family and friends, through the seed venture capital fund or venture capital industry. Our funds are matched by other funding. We have found it useful to have several sets of eyes on the business opportunities being presented.

We have in our own way addressed the issue of overhanging debt, on which I will ask Mr. Donnellan to comment.

Mr. Niall Donnellan: We have addressed the issue in two respects. We work with individual companies and their banks to find a solution that works for both. We have also addressed this issue generally because many of our clients, as is the case with many people in the country, have personal debt as a result of property investment during the property boom or their companies are in debt because of investment in property which is now over-valued, or for other reasons. For example, current promoters may have borrowed to buy-out previous promoters and so on. There are a number of different types of instances where the underlying value of the assets are not reflected in the debt held by a company. This is a major ongoing issue that needs to be resolved in some way in the future. As I said, we have addressed this with individual companies. From a broader point of view, we have articulated the need for some form of debt resolution. We are not experts in banking but have articulated our view on this matter to our parent Department and the Department of Finance during the discussions on SME lending. We see this as an issue that needs to be resolved in the context of the overall banking discussions.

Mr. Frank Ryan: From a policy point of view, where a good business that is making money and employing people has debt overhang - this applies to some of our companies - we continue to work with it in terms of development. If a business is sound, be it under the current or new owners, that business will continue. We have not ceased our financial or non-financial engagement with companies just because they have debt overhang. We want to see businesses continue.

Deputy Sean Fleming: My next question is on the European Globalisation Adjustment Fund, from which €3 million was paid out during the year under review. I understand €2 million was paid out the previous year. How much was paid in 2012? It is stated on page 61 of the accounts that European Globalisation Adjustment Fund receipts in 2011 related to Dell, Waterford Crystal and SR Technics, which was distributed through the relevant County and City Enterprise Boards. Did Enterprise Ireland not deal directly with those companies? Why are small county enterprise boards, some of which have only three staff, dealing with some of the largest companies in the country? I would have thought that was the responsibility of Enterprise Ireland.

Mr. Frank Ryan: They deal with the aftermath of those companies.

Deputy Sean Fleming: How much was received from the European Globalisation Fund in 2012?

Mr. Frank Ryan: I do not know that.

Deputy Sean Fleming: Okay. Mr. Ryan can send the information on to the committee at a later date.

I have one final question. It was mentioned several times that Enterprise Ireland has large investments in shares and seed capital funds. If I understand the figures on pages 70 and 71

correctly, disposal of investment in shares last year amounted to €24 million and write-down, in respect of diminution in value, in terms of shares still held, was €6 million, which amounts to €30 million. In respect of the seed and venture capital fund, the disposal figure is €6 million and the figure in respect of diminution in value is €11 million, giving a total of €17 million. It appears to me that the total cost as a result of disposals and diminution in value under the year under review is €47 million. Taking the overall total in the accounts, the diminution provision thus far in respect of shares held is €147 million and in respect of diminution in value of the seed capital fund is €90 million, giving a total diminution in value of €237 million. The total value of diminutions as per the balance sheet is €253 million. Am I correct that in terms of cumulative investment, there has been an almost 50% write-down in the value of shares and investments in seed capital funds held by Enterprise Ireland? The figure provided in the balance sheet is €252 billion and the figures provided in the accounts indicate a diminution in value of €237 million. Presumably, the investments were of the order of €500 million and there is a diminution in value of €237 million, which means the balance sheet figure, on a prudent basis, of €253 million. Is that an accurate assessment?

Mr. Paddy Hopkins: I will deal first with the €24 million in respect of disposals and write-downs. As we mentioned, we dispose of shares and investments during the year.

Deputy Sean Fleming: Yes, Mr. Hopkins did.

Mr. Paddy Hopkins: Of that €24 million, €18.5 million was the cost of the disposals made. The note states it was the cost of disposals and write-offs. The actual figure for write-offs in the year was €6.4 million.

Deputy Sean Fleming: The accounts show separately a profit figure of €13 million in income.

Mr. Paddy Hopkins: On the disposals figure of €18 million, we made a profit of €18 million because income was over €30 million.

Deputy Sean Fleming: I do not want to delay the meeting, but I would like a detailed note on the matter.

Mr. Paddy Hopkins: Yes.

Deputy Sean Fleming: I looked at the figures and saw a diminution of €47 million in the year in terms of what is contained in the accounts. A figure of €11 million was separately recorded as profit in terms of the disposal of fixed assets. Was there a write-down of €58 million, with a profit of €11 million, leading to a net figure of €47 million?

Mr. Paddy Hopkins: Basically, that is correct.

Deputy Sean Fleming: Is that the general picture? Does the balance sheet show a €253 million investment?

Mr. Paddy Hopkins: Yes.

Deputy Sean Fleming: Did this take into account a diminution in value of €237 million?

Mr. Paddy Hopkins: That is correct.

Deputy Sean Fleming: I ask Mr. Hopkins to forward a detailed note on the issue. Did

Enterprise Ireland invest €490 million in shares and the seed capital fund?

Mr. Paddy Hopkins: Yes.

Deputy Sean Fleming: After taking account of what Mr. Hopkins called the diminution of that investment, is he saying the balance sheet figure is only €253 million or approximately half?

Mr. Paddy Hopkins: There would have been a lot of sale figures included in that amount also. Enterprise Ireland was established in late 1998. From 1999 to 2011 there were total sales of €360 million of shares, on which we made a profit of €178 million. The cost of the disposals was €182 million. Let us examine the investments we made at the same time. During the period 1999 to 2011 we invested €386 million in ordinary and preference equity shares and that sum appears on the shares side. As I said, the income was €360 million and we have a residual value of €172 million noted in the accounts as the written down value. The Deputy can read note 10 which states the figure is €172.67 million. On the equity side, we made a profit of €170 million during that 11 year period.

Deputy Sean Fleming: Is that what Enterprise Ireland was left with at the end of December as shown on the balance sheet?

Mr. Paddy Hopkins: Exactly. It is the depreciated or diminished value.

Deputy Sean Fleming: Let us examine the value of what Enterprise Ireland now holds. Is Mr. Hopkins saying there has been a write-down of €237 million?

Mr. Paddy Hopkins: Over the lifetime of those assets, yes.

Deputy Sean Fleming: Is Enterprise Ireland left with €253 million at this stage? Is the write-down value almost equivalent to what Enterprise Ireland has been left with?

Mr. Paddy Hopkins: Yes. We also earned income of €360 million during that period.

Chairman: I ask the delegation to supply the committee with a comprehensive note on the matter.

Deputy Sean Fleming: Yes. What is the maximum percentage of shares Enterprise Ireland would buy from a company? Preference and ordinary shares were mentioned.

Mr. Frank Ryan: Our policy on the purchase of ordinary shares is to never buy more than 10%.

Deputy Sean Fleming: What about preference shares?

Mr. Frank Ryan: Even less.

Deputy Sean Fleming: Does the company do this? Is the figure 10%?

Mr. Niall O'Donnellan: It varies from case to case. We do not have a specific percentage. As it is non-voting rights, it is not like buying ordinary shares.

Deputy Sean Fleming: Is 10% the maximum figure?

Mr. Niall O'Donnellan: The maximum figure is 10% for ordinary shares.

COMMITTEE OF PUBLIC ACCOUNTS

Deputy Mary Lou McDonald: I liked Mr. Ryan's comment that no money would be provided without results. That is a strong maxim and I presume it applies to Enterprise Ireland as much as to the companies it supports.

I want to examine the results in terms of job creation. Will the chief executive officer give me the net figure for the number of jobs Enterprise Ireland supported and created in 2011?

Mr. Frank Ryan: The net figure for 2011 was set out in the annual report. It was six.

Deputy Mary Lou McDonald: The net figure was six jobs in 2011?

Mr. Frank Ryan: Correct.

Deputy Mary Lou McDonald: What about 2012?

Mr. Frank Ryan: The figure was 3,338.

Deputy Mary Lou McDonald: A figure was circulated earlier in December of 3,804.

Mr. Frank Ryan: Yes.

Deputy Mary Lou McDonald: Why was the figure revised downwards?

Mr. Frank Ryan: On 8 January we discovered that there had been duplication of a data entry in our employment survey. We carried out a review to make sure we could stand over our figures. We can stand over the figures set out in our updated annual statement. We regret having to make the update, but that was the cause.

Deputy Mary Lou McDonald: That explains it. In 2011 and 2012 there was a net job creation figure of 3,346 jobs.

Mr. Frank Ryan: Yes.

Deputy Mary Lou McDonald: With respect, I would not consider that to be the best result from the money invested. The figures are very alarming, even if we take into account the challenging domestic and international environment. I assume that the chief executive officer is as underwhelmed by these figures as I am. Is that correct?

Mr. Frank Ryan: I am slightly more elated about them than is the Deputy.

Deputy Mary Lou McDonald: Elated.

Mr. Frank Ryan: Yes. The trend is terribly important.

Deputy Mary Lou McDonald: Okay.

Mr. Frank Ryan: The employment performance of our client companies has been seriously depressed by the impact of the downturn in the construction sector which could not be avoided by Enterprise Ireland. It would be nice to say we had nothing to do with the construction sector and did not have to take the associated job losses into account on our books. Since 2008 the job losses associated with the construction and related engineering sectors have been considerable. We are conscious of the human impact of these job losses. For example, of all the job losses in 2008, 41.9% were in construction and construction-related sectors.

Deputy Mary Lou McDonald: That makes sense.

Mr. Frank Ryan: In 2009 the figure was 54%; in 2010 it was 51%; in 2011 it was 38% and in 2012, 43%. When the problems in the construction sector became apparent in Ireland, the challenge for most was to walk away from the construction sector without being seen to break into a run. That is essentially what happened. Enterprise Ireland was left to face an incredible position on jobs losses in the sector. It required us to work on a programme for the transformation of the sector to develop it into an international construction sector with a base in Ireland, as opposed to being an Irish construction sector only. It was necessary for us to intervene at the level of chief executive officer. Duke University and Enterprise Ireland put together a leadership for growth programme to assist construction services companies, architects, engineers and other construction personnel such as surveyors to focus on export markets, on which they had not focused for the previous ten years. That involved us engaging with the London Development Authority which was closely associated with the Olympic Games in London and with Irish companies to secure contracts for the Olympic Games to the tune of approximately €300 million.

Deputy Mary Lou McDonald: How many jobs were created as a result of that initiative? My sole objective is to discover how many jobs were created. What was the win worth in terms of the number of jobs created?

Mr. Frank Ryan: The Deputy should divide the figure by a turnover of between 300,000 and 400,000 jobs in the construction sector because there are different sectors involved and she will get the employment figure associated with the initiative.

Deputy Mary Lou McDonald: I ask Mr. Ryan to do the maths for me.

Mr. Frank Ryan: I shall ask my colleague to do so.

Deputy Mary Lou McDonald: While he does that, we appreciate and are conscious of the trauma endured in the construction industry walking off the cliff. I am worried that Enterprise Ireland is elated at the creation of 3,346 net jobs over those two years, not least when we take into account the substantial subvention from the State. Is it €304 million?

Mr. Frank Ryan: Yes. That is correct.

Deputy Mary Lou McDonald: That is a lot of money. I have not done the calculation. I was looking at the statistics for the cost per job, which was raised by a previous speaker. If we divide €608 million by 3,346, it is extremely expensive job creation.

Mr. Frank Ryan: Some 145,000 people are employed full-time by companies supported by Enterprise Ireland. All Governments engage in business and trade so that there is a strong economic impact. The economic impact associated with Enterprise Ireland companies, as substantiated by the Forfás survey, is €18 billion annually. That is the benefit of wages, raw materials and services purchased within the State. This activity involves €18.3 billion.

Deputy Mary Lou McDonald: The reason I am raising this matter with Mr. Ryan is that, in addition to the crisis industry and enterprise ran into in the crash, the major social crisis is joblessness. The Government has made a commitment to create 100,000 net new jobs by 2016. That target has not been broken down and I find the figure suspect. Enterprise Ireland is a key pillar. Mr. Ryan referenced the action plan and his responsibility for a number of points within it. It raises serious alarm bells and puts a serious question mark over the Government's target of 100,000 new jobs. Enterprise Ireland was involved in the creation of 3,346 net jobs in 2011 and 2012 for its efforts. Mr. Ryan is elated, but I am panicked. Does he understand where I am

coming from? Can Mr. Ryan give us the figure for the number of jobs related to the London Olympics? With regard to the 100,000 net new jobs, how many will be supported or created by Enterprise Ireland? It is Government policy to achieve these job targets by 2016. What will be the contribution of Enterprise Ireland?

Mr. Frank Ryan: Our target for last year was to create 10,500 first-time jobs. The figure came in at approximately 12,700.

Deputy Mary Lou McDonald: Can Mr. Ryan explain what he means by first-time jobs?

Mr. Frank Ryan: These are new jobs created by companies in our client portfolio. Enterprise Ireland does not create jobs; our client companies create the jobs.

Deputy Mary Lou McDonald: I accept that. It is a turn of phrase.

Mr. Frank Ryan: I hope I have not confused the Deputy.

Deputy Mary Lou McDonald: Those were new jobs. What about the job losses?

Mr. Frank Ryan: Losses last year amounted to 9,523, of which 43% related to construction and related activities. Job losses in 2011 and 2012 are running at the lowest level for the past ten years. When I say I am elated, I mean it gives me hope that indigenous performance is turning around and getting out from under the rock of the impact of the collapse of the construction sector. The companies driving job creation are the new, modern, innovative companies. They are contributing to the employment gain. In past year, more than 1,000 companies in our portfolio took on between one and three people. I hope I have not overstated the case by using the word "elated", but it gives great hope to see a trend with companies starting to employ people.

Deputy Mary Lou McDonald: That might very well be the case, but Mr. Ryan is in the business of enterprise and we are all in the business of employment. The live register stands at 14% and we are in an emergency scenario. I take on board the pressure bearing down on the economy. We are all fully conversant with it in the Oireachtas and beyond. Mr. Ryan's organisation is a central plank of a stated plan by the Government to create 100,000 net new jobs by 2016. It is now 2013 and, if we are to go on Mr. Ryan's record over the past number of years, the contribution of Enterprise Ireland to the target, if it is to be met, will be minuscule.

Mr. Frank Ryan: We will make an important contribution to the target and we intend to do so. To put it in context-----

Deputy Mary Lou McDonald: What will be Mr. Ryan's target for 2013? Can he signpost it for me by taking us through 2013, 2014 and 2015 and giving us the projected targets? I am sure Mr. Ryan has targets.

Mr. Frank Ryan: Yes. Our target for 2013 is a minimum of 10,500 first-time jobs. We cannot estimate job losses but we hope they will remain at a low level. In Enterprise Ireland, we are realistic about what we can contribute to the overall job numbers. We are faced with the reality that overseas exports are doing very well but the domestic side is on its knees. Traditionally, going back over many years, we have looked at domestic activity as creating employment in client companies. However, that is not there at the moment. Half of our total revenues are exports and the other half is domestic. There is no growth on the domestic side and the only growth we are getting is on the export side. We are getting good growth on the export side. We have no magic wand to turn it around.

Deputy Mary Lou McDonald: A magic wand is not required. Does Mr. Ryan have a target figure for 2014 and 2015?

Mr. Niall O'Donnellan: It is 10,500 for 2013, and our three-year plan-----

Mr. Frank Ryan: We are commencing our three-year plan from 2014 to 2016 and targets will be agreed as part of that.

Deputy Mary Lou McDonald: Riddle me this: when the Minister in the parent Department announced the figure of 100,000 net new jobs by 2016, what level of consultation took place with Mr. Ryan's organisation? I am assuming, although I could be wrong, that a Minister would not conjure a number out of thin air as a nice round figure. I would have thought there was some conversation with the experts on the front line charged with the delivery of the plans. What was the level of consultation between Enterprise Ireland and the Minister?

Mr. Frank Ryan: There was engagement between Enterprise Ireland, the IDA, Forfás and the Department of Jobs, Enterprise and Innovation.

Deputy Mary Lou McDonald: Was Mr. Ryan not required to map out his targets to the target date of 2016? Would that not have been a sensible approach?

Mr. Frank Ryan: There was certainly an expectation that new job creation would continue at a rate of 10,500 for that period but, coming back to reality, banks will not tell us what the interest rate is tomorrow in the current environment. It is extremely difficult to look three years out with credibility and say that one will deliver a certain number of jobs in Enterprise Ireland.

Deputy Mary Lou McDonald: The Government has done so.

Mr. Frank Ryan: The Government has set us a target in driving us on to make the maximum contribution we can make, which is what we want to do. It is very encouraging that we now have job creation. We got export growth in 2011 but we did not get the jobs associated with it because there was still over-capacity on what was previously the domestic side of companies' operations. It started in 2012.

Deputy Mary Lou McDonald: I appreciate that neither Mr. Ryan nor his colleagues are responsible for Government policy *per se* or for the setting of that particular target of 100,000 jobs, but I am very alarmed by the fact that there was not a detailed discussion, analysis and mapping process in terms of the potential jobs yield from now until 2016 before the figure of 100,000 jobs was bounced into the public domain. The reason I am pressing this point with Mr. Ryan - I heard what he said and I am not gainsaying a number of very innovative things Enterprise Ireland is doing, which I acknowledge - is that there is a bottom line here for taxpayers and citizens, which is that too many of our people cannot find jobs. Levels of emigration are similar to those in the 1800s, so we are losing talent and people are losing family members. Mr. Ryan knows the social consequences of all of this.

Mr. Frank Ryan: Yes, indeed.

Deputy Mary Lou McDonald: We need bang for our buck. When an agency is given the type of budget Enterprise Ireland is given, I think I speak for people with common sense when I say that a yield in 2011 of six jobs is farcical and that a yield of 3,346 jobs is a whole pile better but is still not very promising. I do not know where the links have broken down. I will spare the political criticisms for those who deserve them. I wonder where this figure of 100,000 jobs

has come from. Enterprise Ireland has a projected figure for this year in terms of new jobs. It will not go beyond that. All of that is alarming.

I would like to think that when the three-year plan is completed, Enterprise Ireland might come back to us to revisit this situation, because the value of its work - leaving aside the commercial interests, because businesses will obviously have their own legitimate key performance indicators in terms of Enterprise Ireland and how it is doing - for taxpayers and citizens will be called on the basis of job creation. That will be the bottom line for people. I have said my piece. Those figures are far from satisfactory.

Chairman: I will take up a number of points raised, starting with the question about the three-year plan. When it is available, perhaps we will have a further discussion with Enterprise Ireland in regard to its targets and the costs associated with the plan. We had a general discussion on banking issues, which was raised by a number of members, including Enterprise Ireland's engagement with the banks, the new products and services required, the fact the banks are a little bit behind the curve in regard to meeting the demands of new and developing businesses and, in turn, those economies. We will send the transcript of the meeting to the Department of Finance because there is a chapter in the Comptroller and Auditor General's annual report on credit facilities and so on. It may be helpful to the Accounting Officer from that Department, when he comes before us, to have the various comments from this meeting and he can answer some of those queries.

We receive the accounts from the county enterprise boards. It would be appropriate to bring in a number of the boards, or certainly the Accounting Officers, to discuss the county enterprise boards themselves, the costs associated with them, the jobs created by them, the spend they have in each county and the results from each county. Arising from this meeting, I believe it would be appropriate to do that.

I compliment the county enterprise boards on the work they have done over the years and on their achievements. Will Mr. Ryan give us a note on the money spent by each county enterprise board over, say, the past five years, the number of jobs created from the grants, loans or whatever that each county enterprise board has given to its clients, and how much it cost each county enterprise board to create a new job within the community it represents?

On the new local enterprise centres or offices, what was the level of consultation with Enterprise Ireland on the establishment of that policy? I will not enter the area of policy, but has Enterprise Ireland been consulted?

Mr. Frank Ryan: We have been heavily consulted in regard to it and we have a representative on each of the three sub-committees working on these issues.

Chairman: County enterprise boards submit their accounts to us and to the Comptroller and Auditor General. We look at those accounts and not many red flags have been raised over the years, so we presume they are performing in line with the reports given to us through Enterprise Ireland and other agencies. They give the accounts to us and they report to Enterprise Ireland. What is so wrong with that system that they would then be asked to report to the local authorities? The enterprise boards have been established and they are working. They have their offices, their clients, their responsibilities in terms of their audit, a parent agency - namely, Enterprise Ireland - and a parent Department, which is Enterprise Ireland's parent Department. What is the problem with the system that resulted in the decision to take that responsibility from the Department and place it with another one?

Mr. Frank Ryan: Our current responsibility is the co-ordination of the funding that passes through Enterprise Ireland to the county and city enterprise boards until such time as the Government and their parent Department decide to change this through legislation and so forth. We are an arm of the Government, so we will be asked by our parent Department to execute a range of interfaces with the county and city enterprise boards, but until these are defined to us, we really cannot envisage what we will be asked to do. However, from what we are aware so far, it is envisaged that we will have a much closer working relationship with the county enterprise boards going forward.

Chairman: The cost of making this change and of the new structure have not been assessed by Enterprise Ireland. I presume that will be further down the road.

Mr. Frank Ryan: That would be for our parent Department. It would not be for us to estimate that cost.

Chairman: In regard to what Mr. Ryan called the service level agreement between Enterprise Ireland and each new local enterprise office, will it be the same for each local office or will it vary?

Mr. Frank Ryan: It will have to vary because the potential in each of the CEBs would be different.

Chairman: I agree with Deputy Deasy. From a policy point of view, it is not the type of policy that sits easily with me given the background to local authorities. I suggest the committee write to the Minister suggesting, regardless of what the new arrangements will be, that the audit in regard to the Comptroller and Auditor General and the role played by him will not change. If it is as separate as it is supposed to be, these new local enterprise offices should account for their spend through the Office of the Comptroller and Auditor General because we can then link it to the allocation being made to Enterprise Ireland on a year-to-year basis. We are best placed to judge the audit and performance from that perspective. In his opening remarks Mr. Ryan mentioned that we had to focus also on the potential for exports to the BRIC countries, Korea and other countries. What is the extent of the Irish presence in China?

Mr. Frank Ryan: Is the Chairman referring to Enterprise Ireland's presence?

Chairman: Yes.

Mr. Frank Ryan: We have approximately 12 colleagues in China. We have three offices, located in Beijing, Shanghai and Hong Kong.

Chairman: Does Enterprise Ireland service Taipei through these offices?

Mr. Frank Ryan: As I am not sure off-hand, I must seek confirmation before I say how we service Taipei.

Chairman: I visited there recently and that is my understanding. As I acknowledge there is a one China policy, I am not touching on policy issues. Funding for an office in Taipei was withdrawn, perhaps owing to economic conditions, but now that we are looking at countries to support the export potential of our companies, we should consider having a presence in Taipei which has a population of 23 million through the three offices on mainland China. Of the European Union member states, 16, not including Ireland, are represented through an office supported by the European Union. It is strange that trade agreements are being reached

between Taiwan and these 16 countries through that European Union office in which we have no representative. I would like to see this change and believe the job could be done effectively by Enterprise Ireland's officials on mainland China in connection with property rights and economic agreements between Taiwan and China. I ask Mr. Ryan to look at this issue.

Enterprise Ireland has a staff of 742.

Mr. Frank Ryan: That is correct.

Chairman: Is that the total staff complement or is Enterprise Ireland short of staff at home or abroad? Is Enterprise Ireland able to function in all markets with that number of staff?

Mr. Frank Ryan: Obviously, the employment control framework is in place; therefore, posts in Enterprise Ireland are very tightly controlled. We were given permission in the past two weeks to fill the vacancies overseas and within two months will be back up to full capacity. However, we have asked for permission to increase our overseas numbers by 20, as there are opportunities for us. In fact, an approach to servicing Taipei better could be part of this. We have discussed the opportunities with companies and our figures are not based on our own estimate of what could be achieved. We hope the Departments of Finance and Public Expenditure and Reform will give a favourable decision on our request in the very near future.

Chairman: Will Mr. Ryan provide a note on the issue I raised?

Mr. Frank Ryan: Yes, I will.

Chairman: How many members are on the board of Enterprise Ireland?

Mr. Frank Ryan: There are 12 members of the board.

Chairman: Is each and every member of the board in receipt of a payment for his or her service?

Mr. Paddy Hopkins: Yes. They all receive the allocated standard fee.

Chairman: What is the standard fee?

Mr. Paddy Hopkins: The standard fee is €20,000 for the chairman and €11,000 for each other board member.

Chairman: Of course, the departmental official on the board is not paid.

Mr. Paddy Hopkins: The departmental officials are not paid.

Chairman: Therefore, the external board members receive €11,000 per person, while the chairman receives €20,000 per annum.

Mr. Paddy Hopkins: Yes.

Chairman: How long is the term of office of the chairman?

Mr. Paddy Hopkins: It is a five year term.

Chairman: In the accounts there are allocations to the dairy and beef sector. Is any of the companies involved in the current controversy a client company of Enterprise Ireland?

Mr. Frank Ryan: Yes.

Chairman: Would they have received support grants?

Mr. Frank Ryan: They would have.

Chairman: I am not asking questions involving commercially sensitive information. How does Mr. Ryan respond to the suggestion that when supplying markets or the big supermarket chains, companies are pushed to the pin of their collar to make a profit on the products they are supplying and that they often supply to the markets under cost? Has Mr. Ryan come up against this issue when dealing not only with companies but also the industry as a whole? In sustaining our exports and winning new markets is the loss of the contracts by the companies involved to supply burgers and other products to the markets a cause for concern?

Mr. Frank Ryan: I am very aware that all of the companies involved continue to trade and will approach the question in that light. The power of the multiples, particularly in the British Isles and the Republic of Ireland, is very strong. As there are so few, there is very strong buyer power in the marketplace. If one looks at the food sector, in particular, it depends on the individual company. Many of our food and drink companies are exporting well beyond the British Isles and the market is very competitive. So far the beef sector in Ireland has been able to be competitive and secure contracts. We hope that will remain the position. The food industry is unusual in Ireland in that it is integrated right back to farmers. There is a significant societal impact associated with what happens in the industry. We are certainly working with a number of food companies on lean manufacturing and world class manufacturing standards to maintain their competitiveness.

Chairman: Has Mr. Ryan come across evidence of the challenges they face in regard to the cost of supplying products to supermarkets? It has been suggested some may have been selling under cost to win a particular contract? Does Enterprise Ireland offer advice on that issue?

Mr. Frank Ryan: Perhaps our colleagues in Bord Bia might be able to shed some light on it, but it is not something we have come across to date.

Deputy Kieran O'Donnell: I apologise for not being present earlier. I welcome the witnesses and have a number of quick questions.

I am looking at the breakdown by region for 2011 and as a Deputy for Limerick city, I am interested in the figures for the mid-west. Some 507 jobs were created, while 590 were lost, giving a net loss of 83. Is there a policy on regional distribution in job creation? Will Mr. Ryan give me the breakdown for the mid-west in 2012, between the total number employed which I understand was 12,900 at the end of 2011, the gains and losses and the net change. Furthermore, will he give me an indication of the projections for the mid-west for 2013? Obviously, as a Deputy for Limerick city, I am very conscious of the need to create further jobs and would like to receive an overview of Enterprise Ireland's strategy to create jobs in the city and mid-west region?

Mr. Frank Ryan: The figure for the mid-west for 2012 is plus 184.

Deputy Kieran O'Donnell: In other words, there was a net gain of 184 jobs.

Mr. Frank Ryan: Exactly.

Deputy Kieran O'Donnell: What was the breakdown between gains and losses?

Mr. Frank Ryan: The gain was 1,028 jobs, while the loss was 844 jobs.

Deputy Kieran O'Donnell: What are the projections for Limerick and the mid-west for 2013?

Mr. Frank Ryan: We do not project in that-----

Deputy Kieran O'Donnell: Mr. Ryan gave an overall projection of 10,500 net new jobs.

Mr. Frank Ryan: Yes.

Deputy Kieran O'Donnell: Will he indicate what resources Enterprise Ireland is allocating to the mid-west and Limerick for job creation? Will he also outline Enterprise Ireland's integration over time in terms of activities with Shannon Development and its ambitions in respect of job creation in Limerick and the mid-west?

Mr. Frank Ryan: It might be helpful to Deputy O'Donnell if I repeat some of the background information before speaking specifically about Limerick. In 2012, there were 145,460 permanent, full-time jobs in our client companies, of which 65% are located outside Dublin.

Deputy Kieran O'Donnell: How many of them are located in the mid-west?

Mr. Frank Ryan: I provided that figure.

Deputy Kieran O'Donnell: No, the figure did not include the total number employed.

Mr. Frank Ryan: My apologies, I provided a figure for employment gains. In 2012, the relevant figure for the region was 13,253.

In relation to Enterprise Ireland's resources in the mid-west, we have the operation in Shannon where more than 60 staff are located. We have, therefore, a major base in the mid-west.

Deputy Kieran O'Donnell: I am aware of that. I am seeking information on Enterprise Ireland's job creation strategy for the region, including Limerick city.

Mr. Frank Ryan: The strategy for the region is multifaceted. One has existing companies in the region which we would like to see create more employment, business start-ups, including start-ups from the University of Limerick, Limerick Institute of Technology, etc., and Enterprise Ireland's funding of the community enterprise centres in the region. One then has the plans for the redevelopment of Shannon Airport, to which Enterprise Ireland is party as a member of the committee working on the issue. We look forward to bringing out a new competitive start fund based on aviation for Shannon Airport, which will roll out this year.

Deputy Kieran O'Donnell: When does Mr. Ryan expect it to be in place?

Mr. Frank Ryan: Realistically, I expect it to be in place by the end of the second quarter.

Deputy Kieran O'Donnell: What is the size of the fund and how will it work?

Mr. Frank Ryan: Normally, we would support perhaps 15 projects, with initial funding, in terms of feasibility, of up to €25,000 per project. Enterprise Ireland will do whatever possible in relation to-----

Deputy Kieran O'Donnell: The funding is just short of €400,000 per annum.

Mr. Frank Ryan: Exactly.

Deputy Kieran O'Donnell: For many years will it operate?

Mr. Frank Ryan: It is a competitive call. One can make a decision at almost any time but there is no point in running it unless one knows one can take one's net through the water too many times.

Deputy Kieran O'Donnell: Will the total value of the fund be approximately €400,000?

Mr. Frank Ryan: Yes, that is the approximate value of that part of it. The legislation on the Shannon zone has not yet been passed. Enterprise Ireland already looks after the indigenous companies in the mid-west region. When that changes the approximately 40 indigenous clients on the zone will transfer, subject to legislation, to working directly with Enterprise Ireland.

Deputy Kieran O'Donnell: Are Limerick, Shannon and the mid-west a top priority for Enterprise Ireland? The Chairman does not need any help in looking after Carlow. Shannon Airport is becoming independent and the State agencies in the region are being reconfigured. Job creation in the mid-west is clearly the top priority. Is Enterprise Ireland fully committed to the region and is job creation in the region one of its top priorities?

Mr. Frank Ryan: It is a priority because, as we indicated, our job is to try to deliver results. We have the University of Limerick, Limerick Institute of Technology and so forth. One expects results in Cork, Limerick, Galway and Dublin. We are very active in the region in relation to entrepreneurship and getting new companies started up.

Deputy Kieran O'Donnell: Does Mr. Ryan expect the aviation fund of €400,000 to be launched at the end of the second quarter of this year?

Mr. Frank Ryan: Yes

Deputy Kieran O'Donnell: I thank Mr. Ryan.

Chairman: I thank the witnesses for attending and the contribution and information they have provided. A number of requests have been made for further information and the witnesses will furnish the relevant details to the committee. Is it agreed to dispose of the 2011 annual accounts for Enterprise Ireland? Agreed.

The witnesses withdrew.

The committee adjourned at 1.55 p.m. until 10 a.m. on Thursday, 7 February 2013.