DÁIL ÉIREANN

AN COMHCHOISTE UM FHIONTAR, TRÁDÁIL AGUS FOSTAÍOCHT

JOINT COMMITTEE ON ENTERPRISE, TRADE AND EMPLOYMENT

Dé Máirt, 20 Aibreán 2021

Tuesday, 20 April 2021

Tháinig an Comhchoiste le chéile ag 9.30 a.m.

The Joint Committee met at 9.30 a.m.

Comhaltaí a bhí i láthair / Members present:

Teachtaí Dála / Deputies	Seanadóirí / Senators
Richard Bruton,	Garret Ahearn,
Paul Murphy,	Ollie Crowe.
Louise O'Reilly,	
Matt Shanahan,	
David Stanton.	

Teachta / Deputy Maurice Quinlivan sa Chathaoir / in the Chair.

Business of Joint Committee

Chairman: I remind members that at 11.30 a.m., we will launch a report on the corporate enforcement authority, on which the committee has done a great deal of work in recent weeks. Unfortunately, due to Covid-19, there will be no public event to mark it, whereas in previous cases we would have invited members to a launch, perhaps in the audiovisual room. We are we are with Covid, so it is being launched remotely.

Loan Guarantee Schemes Agreements (Strategic Banking Corporation of Ireland) Bill 2021: Waiver of Pre-Legislative Scrutiny

Chairman: I thank members and witnesses for participating in today's meeting in line with exceptional measures. I remind them that apart from me and members of the committee secretariat, all members and witnesses are required to participate remotely and all members are required to participate from within the Leinster House complex.

Today we are considering the loan guarantee schemes agreements (Strategic Banking Corporation of Ireland) Bill 2021. Recently, the Minister for Enterprise, Trade and Employment, Deputy Varadkar, wrote to the Business Committee seeking an exemption of the normal pre-legislative scrutiny requirements, given the urgency to have the Bill enacted by mid-May 2021. The general scheme of the Bill has been drafted to comply with advice received from the Office of the Attorney General on 19 March 2021 that legislation is required to provide the necessary powers for the Minister for Enterprise, Trade and Employment and the Minister for Agriculture, Food and the Marine to enter into an agreement with the Strategic Banking Corporation of Ireland to implement loan guarantee schemes for SMEs and small mid-caps, including many primary producers. The legislation must be enacted by mid-May if the scheme is to go ahead in time to provide support to businesses that face the twin disruptions of Brexit and Covid-19. The request of the Minister to the Business Committee for a waiver of pre-legislative consideration has been passed on to this committee to give our opinion on the request. Following this meeting, we are required to communicate this opinion to the Business Committee to allow it to decide on the waiver application.

To brief the committee on the Bill and the case for a waiver of pre-legislative scrutiny, I am pleased to welcome from the Department of Enterprise, Trade and Employment, Mr. Declan Hughes, assistant secretary, Ms Fiona Kilcullen, principal officer, and Dr. Elizabeth Harvey, assistant principal.

Before we start, I wish to explain some limitations to parliamentary privilege and to the practice of the Houses as regards reference that may be made to others when witnesses are giving evidence. The evidence of witnesses physically present or who give evidence from within the parliamentary precincts is protected, pursuant to both the Constitution and statute, by absolute privilege. Today's witnesses, however, are giving their evidence remotely from a place outside of the parliamentary precincts and, as such, may not benefit from the same level of immunity from legal proceedings as a witness who is physically present. Witnesses are reminded of the long-standing parliamentary practice that they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable, or otherwise engage in speech that might be regarded as damaging to the good name of a person or entity. If, therefore, witnesses' statements are potentially defamatory to an identifiable person or entity, they will be directed to discontinue their remarks. It is imperative that they comply with any such direction.

Mr. Hughes's opening statement has been circulated to all members. To commence our consideration of this matter, I invite him to make his opening remarks on behalf of the Department.

Mr. Declan Hughes: I thank the committee for the opportunity to present the views of the Department of Enterprise, Trade and Employment on the general scheme of the loan guarantee schemes agreements (Strategic Banking Corporation of Ireland) Bill 2021. In order to meet the pressing need for finance by Brexit-impacted SMEs, small mid-caps and primary producers, this new scheme will need to be fully operational by the end of quarter 2 of this year, as the Chairman mentioned. I am joined by my colleagues Ms Fiona Kilcullen, principal officer and head of the Department's finance for growth unit, and Dr. Elizabeth Harvey, assistant principal in the unit.

As the committee will be aware, the Department of Enterprise, Trade and Employment has been working with Brexit-impacted businesses since 2016 to ensure we have the right range of supports in place at the right time to help businesses adjust to Brexit eventualities. Before commenting on the specifics of the Bill, I will provide a general outline of the plans for a new Brexit-focused loan scheme. Loan guarantee schemes continue to be a key instrument for providing help to vulnerable but viable businesses impacted by the effect of Covid-19, Brexit or both. Since the start of the pandemic, close to €931 million in lending has been sanctioned to more than 8,000 businesses through State-backed loan guarantee schemes operated by the Strategic Banking Corporation of Ireland, SBCI, on behalf of the Minister for Enterprise, Trade and Employment and the Minister for Agriculture, Food and the Marine. The results from the Central Bank of Ireland's bank lending survey from January 2021 indicated that 2021 will see increased demand for business lending for both guaranteed and unguaranteed loans, with the increase in demand for guaranteed loans expected to be larger, as businesses navigate the uncertain and difficult times and as the parameters governing the schemes evolve.

Introducing the Brexit impact loan scheme, BILS, which provides for easier access to a wider range of financing needs for Brexit-impacted SMEs and small mid-caps, including primary producers, which were not included in the previous scheme, will ensure that appropriate access to finance options will remain available for SMEs over 2021 and 2022 at least, beyond the lifetime of the credit guarantee scheme, which is allowed by the European Commission only until the end of this year. It is intended to help viable but vulnerable businesses respond to the liquidity challenges presented by both the Brexit and Covid disruptions, ultimately helping them to sustain their operations and employment.

The Joint Committee on Enterprise, Trade and Employment is being asked to provide a waiver of pre-legislative scrutiny for the general scheme of the Bill, which is intended to provide a statutory basis for the Ministers for Enterprise, Trade and Employment and for Agriculture, Food and the Marine to engage with the SBCI on the new scheme and on future loan guarantee schemes to be delivered by the SBCI, and to enable us to benefit from the European guarantee fund. It is a short, technical Bill with a narrow scope, relating to a technical agreement that the Ministers will need to sign with the SBCI, rather than with the European Investment Fund, EIF, by the end of May 2021 in order for the BILS to be delivered by the end of quarter 2. The new Brexit scheme will leverage a counter-guarantee by the European Investment Fund's pan-European guarantee fund, to which Ireland is a contributing member and which will be of benefit from the funding to which we are contributing. Based on financial modelling, the effect of this guarantee for the BILS will be to make up to €330 million in lending available by the end of

2022 at an Exchequer cost of €29 million, and this relates to a multiplier effect of greater than a factor of ten for the Exchequer in terms of the money flowing. This means that we will be able to leverage and much of the guarantee is coming from European sources.

In considering the legal basis for a new scheme and how the Minister might progress such a scheme, advice was sought from the Attorney General. The Department is satisfied that it is appropriate to provide for the specific *vires* in legislation and to provide a statutory basis for relevant Ministers to fund and enter into future agreements with SBCI for the purpose of facilitating access to finance for qualifying enterprises.

The intention is to be fully operational by the end of the second quarter. We mentioned at the beginning why there is some pressure on this. There are several processes we have to work through to have it launched in time. The first is to have an open call and assessment of the applications by lenders. We would go out to a range of banks and financial institutions to participate in the scheme. Legal agreements have to be developed between the European Investment Fund and SBCI, between SBCI and lenders to the scheme and between SBCI and the Minister of Enterprise, Trade and Employment. The Bill would enable this. Information technology systems need to be put in place as well.

The Brexit impact loan scheme, as proposed, provided for lending to enable diversification of businesses in response to, and to mitigate, the impacts of Brexit and Covid-19. SMEs and small mid-capitalisation companies, including primary producers, will now be included and can utilise lending through the scheme for activities aimed at addressing climate change challenges and other opportunities. Funding through the Brexit loan scheme can also be utilised for purposes which yield environmental benefit but which are, under normal lending conditions, less attractive to lenders due to longer return-on-investment periods.

The proposed legislation will also enable Ministers to separately or jointly enter into future agreements with the SBCI and provide the necessary financial support thereunder, with the purpose of providing policy responses to identified market failures in access to finance for SMEs, including primary producers and small mid-caps.

Today, we are focusing on Brexit but we have headroom to enter into further agreements in other areas. In particular this will allow Ministers the opportunity to act quickly to enter into agreements with the SBCI to leverage further European funding that is, or that becomes, available to Ireland through European-funded guarantee facilities.

The legislation must be enacted by mid-2021 if the scheme is to go ahead in time to provide support to Brexit and Covid-19 impacted SMEs, including primary producers and small mid-caps that are grappling with the twin disruptions of Brexit and Covid-19. On behalf of the Department, I thank the committee for the opportunity to present and I look forward to engaging in the discussion.

Chairman: I will now invite members who wish to make a contribution. I remind members to use the raise hand function on Teams and cancel it when they have finished speaking. We have rota in place. The first person who has indicated is Deputy O'Reilly. The Deputy has 14 minutes.

Deputy Louise O'Reilly: I probably will not take all that time. I do not like the practice of waiving pre-legislative scrutiny as a general rule. I fully appreciate, however, that it is necessary from time to time. I hope this is not a practice that develops because, unfortunately, in the context of one of the committees I was on in the previous Dáil, it became an unfortunate practice and led to some friction.

Some of the schemes that the Government is administering with regard to this legislation have a far higher take-up rate than others. There is a sense from SMEs and family-run businesses that if there is engagement with them before the schemes are launched, then the schemes can be fit for purpose before they go out.

Is the Department confident that this is the right scheme at the right time? Does this legislation give the Minister the freedom to be able to tweak the schemes and adapt them as they go on? I fully appreciate the need to have them ready. I fully appreciate the need for us to assist with getting this done quickly. Has there been engagement with the people who those of us sitting here in Dublin 2 believe will benefit or potentially benefit from this? Does the legislation give the Minister the scope to be able to adapt the schemes as time goes on and the ability to tweak them in the interests of ensuring that the people who need them actually benefit from them?

Mr. Declan Hughes: My thanks to Deputy O'Reilly. We have probably discussed this on previous occasions at the committee. Certainly, there are some dimensions I am keen to highlight. My colleagues might want to come in as well.

The first point relates to the demand side. We know that with regard to Brexit we are in a strange situation where many of the impacts are still working their way through. Businesses are working out what to do in terms of dealing with the additional cost of trade with Great Britain and the additional logistics costs relating to direct supply into Europe, etc. There are also investment costs relating to the need to change or diversify to new markets and address climate change challenges as well.

On the demand side, we have indications from the Central Bank and from our engagement with the State bodies group that meets across all the suppliers in respect of SBCI, the Ireland Strategic Investment Fund and Enterprise Ireland. We are confident that this scheme is at a level that will be needed in the coming months.

The second part relates to businesses. One of the key issues is that businesses are reluctant to borrow at the moment in view of the level of uncertainty in Great Britain and in the domestic economy. We have been hearing in respect of the Brexit loan scheme that, because the funding was guaranteed by the European Investment Fund's InnovFin facility, there was an innovation criterion. At one level it related to anything that businesses were going to invest. The point was that investment would have to go into diversifying or being innovative. That was a test and an issue that kept coming up with businesses and representative bodies. We have an SME and state bodies group where this point was specifically raised. Essentially, we will not have that criterion in future. We are dropping it because it comes from the European Guarantee Fund. The only criteria are in respect of the business having an exposure directly or indirectly. The business may not be trading directly with GB but some customers may be and they may be exposed. This may apply to businesses in the tourism sector or primary producers supplying a dairy company that is ultimately supplying the GB market. It may apply to a business importing as well. We have covered off maximum flexibility with the fund. They are the criteria.

There is a second element we have heard. Brexit has been happening since 2016 and we have been trying to get businesses prepared. Some are working through what were three-year schemes. We have now managed to extend this from three years to six years. One key requirement for businesses is that they work through the next year and the uncertainty. Moratoriums relating to this can be negotiated with the banks. A six-year period will allow businesses to work through the implications.

We will also have provision for refinancing. If there are already some loans that are on two or three years and are coming near the end, they can be refinanced. Again, that is something businesses have looked for in light of the uncertainty. Covid-19 has compounded the uncertainty relating to Brexit. We have also included another feature that was not included in the previous Brexit schemes relating to primary producers. Some of our other schemes that relate to horticulture businesses and others that are labour-intensive and are exposed were not included in the schemes so we have included those in this scheme. Another point is that flexibility on loan rates can be offered. We hope that, on the basis of what we have done with the credit guarantee scheme whereby we have brought in several other finance providers, including the credit unions, we would be able to increase the number of participants. This would broaden the range of financial providers available to impacted businesses.

In response to the Deputy's question, I would say we have been listening and we have certainly tried to maximise the flexibility of this scheme. Moreover, I believe we have sufficient headroom over the coming two years. This goes beyond the EU temporary aid framework that expires at the end of this year. We would then have this facility into next year.

The final question was whether we have sufficient headroom with this Bill. We are asking, with the committee's agreement, that we provide for €50 million to negotiate deals with the European Investment Fund and the European Guarantee Fund. The point is to get the €330 million fund up and running and we would use €29 million in this regard. We will have further headroom to introduce further schemes as either Minister or both together may see fit. If we need to expand it in future, we would have the room to do that.

Senator Ollie Crowe: I thank the officials for the detailed briefing. The essential role the Strategic Banking Corporation of Ireland plays is clear. It has provided €1 billion in bank loan guarantee schemes to 8,000 businesses since the start of the pandemic. I note from the information provided that, despite last year's high figures, there is expected to be an increase in demand for the scheme this year. How much of that increased demand is Covid-related and how much is Brexit-related? The recent expansion of lending beyond retail banks is welcome and relevant. I note it involves 19 credit unions, spread between three groups and non-bank lenders. In light of developments in recent weeks, this is particularly welcome. What is the Department's view on further expansion in this regard?

Mr. Declan Hughes: The €330 million we envisage for Brexit will be essential this year for dealing with its impact. As the Senator said, the lending and borrowing requirements are likely to be significantly higher. When the credit guarantee scheme was introduced in the autumn of last year, it was initially for €2 billion. To date, just under €300 million has been drawn down. There are applications for significantly more than that. There probably still is capacity for between €1.5 billion and €1.7 billion over the coming months. We think there certainly would be a high demand for that in the context of reopening. Many businesses that will need additional working capital, investment and so forth will be looking for five-year to six-year money which will be available from the credit guarantee scheme. Between the two schemes, we have close to €2 billion available this year. As the economy reopens, that is what we envisage is needed.

On the demand side, there are different groups of companies which will need alternative sources of funding. From a Covid perspective, we would see high demand from retail and wholesale businesses, as well as tourism, hospitality and personal services, as they begin to reopen. They will need access to medium-term money such as five-year to six-year terms at low cost. Many providers are at or below the 3% rate which is very competitive from a Covid perspective. This gives these businesses time then to work through their new business sustainment plans and reopening.

On the Brexit side, we are also dealing with some of those businesses which would be dependent, for example, on foreign earnings. This would involve tourists coming in but also engineering businesses trading with the UK, food processors and companies, along with education and fintech services. We are picking off the broad base of enterprise between the Covid and Brexit schemes. They are not exclusive either. For example, in Enterprise Ireland's base of companies, 1,500 businesses are Brexit exposed but between 200 and 300 are both Brexit and Covid exposed. They will have joint exposure to the domestic market, as well as to Brexit. We do not want them applying twice. We want them to be able to come in with a business plan and access either the Covid credit guarantee scheme or the new Brexit impact loan scheme.

We will be in a position to expand the scheme further. That is why we have the headroom initially for up to €50 million. We are running with the €330 million and then we will see what other mechanisms and schemes might be needed over time. Other Departments may well be looking at the legislation to see how it might be utilised. For example, as I mentioned in my introductory remarks, it might be used to deal with climate action or other measures which might be useful.

Senator Ollie Crowe: With the challenges in banking due to the recent announcements by KBC and Ulster Bank, will the role of the credit unions be enhanced?

Mr. Declan Hughes: We are keen to broaden out the range of participants in our guarantee schemes. We work closely with and it is a mandate we have given to SBCI to ensure it is working with the broadest range of providers. Significant work has gone in over the past year with the credit unions in terms of assessment of their loan books, capability, capacity assessment, etc. We are pleased we have an increasing number of credit unions participating in the Covid credit guarantee scheme and lending out to businesses. That is a route on which we will continue.

SBCI has a key role in helping to develop the capacity of the credit unions to work with SMEs. We obviously do so as well. Many of the credit unions would have a good reputation around the country in working with small businesses and microbusinesses. The issue is how can we support and scale that. These guarantee schemes are an important mechanism for doing that.

Microfinance Ireland works alongside the credit unions across the country. This would be for those businesses which cannot get access to credit from the other financial institutions. We are trying to develop the broadest mix of finance providers to ensure microbusinesses and SMEs have access to the finance they need.

Deputy Richard Bruton: Just taking up on Senator Ollie Crowe's point, has any sort of a quota been set for lending other than through the major retail banks?

Does the Department hope to provide developmental advice in the context of this lending? People are taking on the climate change challenge, looking to diversify their markets and introduce new technologies. There may be a role for combining lending with some developmental advice or access to programmes. Is the assessment of need entirely left to the bankers or is there any attempt by the Department to look at the context of viable and feasible development strategies?

Are there any loss expectations with this loan book or in the context of the guarantee? Is our exposure limited in all cases to the figure quoted of €29 million? We are entering a period of uncertainty. What happens if losses are worse?

Is the Department still doing the SME survey of attitudes to borrowing and lending, as well as the experience with lending institutions? It used to be available and gave an insight into the needs and attitudes of borrowers as well as the needs and attitudes of lenders. It was useful for policy purposes. I have not seen one for some time, but I have been out of the swim of that activity. I am interested in knowing whether it is still available.

Mr. Declan Hughes: Regarding quota, our approach is to ensure that we have the broadest range of participating lenders in the schemes. For example, we initially limited the pillar banks to nearly one third of the first tranche of the credit guarantee scheme. We then tried to get other finance providers, including the credit unions, to participate. We did that to ensure that not all of the funding was cornered or taken by the pillar banks and to increase competition. We have taken a similar approach to lender allocation in the future growth loan scheme. We have the flexibility to reallocate if finance is not being used or drawn down or if any sort of market playing is happening. Our intention is to help make the market increase participation, drive lending and drive down costs. The future growth loan scheme was the first product that brought in ten-year money at below 4%, which is what indigenous enterprises needed in terms of low margins. We are taking a similar approach to the new Brexit impact loan scheme. The next step is to go out and determine the level of interest from lenders in the market, how best to allocate and what quota might be applied.

The Deputy is right about development advice. One of the key lessons from the past year has been the importance of providing help to businesses in terms of business continuity and business sustainment planning and providing mentoring for them in advance of making applications for finance. Advice came to us strongly from the Credit Review Office about ensuring that the business plans answered the right questions and were sustainable before they were submitted to the bank. Enterprise Ireland provides a €5,000 financial planning grant, which has been helpful to businesses in mapping out their medium to long-term development. It has helped with the drawing down or preparation of applications to the sustaining enterprise fund, under which a current provision of €200 million is being administered. Similarly, more than 10,000 business continuity vouchers were issued by local enterprise offices, LEOs, by the end of last year. In the first couple of months, they were drawn down to help businesses prepare business sustainment plans so that they could access funding. Microfinance Ireland provides a reduction of 1% in the interest rate for businesses that come through LEOs. There is a standard rate of, I believe, just over 5%. It is reduced by 1% to 4% or 4.5% for a business that comes through an LEO. The business gets access to a mentor, professional advice and so on, which helps it to ensure it has a plan that is sustainable in the longer term.

Digital and climate are complex areas. With Enterprise Ireland and LEOs, the Tánaiste just launched a new €10 million green enterprise fund. It will help to provide advice and strategic planning capacity to micro and small businesses to prepare climate adjustment plans that include their investment needs and assessments of technology. Major uncertainties for businesses revolve around what the best technologies are, what is appropriate for their business, what markets are they going to and how they can finance that. Financial planning supports are available and we hope to support approximately 850 businesses with them this year. We are open to suggestions about how we might proceed with that.

Regarding loss expectations, it is capped. We are utilising the European Guarantee Fund, EGF, for 56%. Another 24% is the State's, but it is capped at €29 million. As with previous guarantees, there is a fair distribution between what the EGF and the State are providing, but also what the banks are providing, given that they will have skin in the game as well and will hence be judicious in their assessments.

Regarding attitudes towards borrowing, the key issue before Covid was that businesses were in deleveraging mode. We had seen a decrease in the refusal rates, but there was still a reluctance to borrow. During the early part of the crisis, there was a significant increase in facilities being opened or requested by businesses but not subsequently drawn down. For six months of last year - essentially from April or May to October or November - nearly 30,000 businesses had loan breaks with their banks. Most of those breaks have now been worked through and businesses are coming back. We are seeing more modest levels of borrowing in the credit guarantee scheme. These are more essential levels of borrowing. The average loan is approximately €50,000 to €60,000. Our initial budgeting expectation was that it would be similar to the future growth loan scheme at approximately €150,000 to €200,000, but the feedback we are getting is that businesses are taking out just enough to see them through until they get certainty about reopening. The facility will be available to them to come back to those lenders as they look to reopen. That is the research and feedback we are getting from the Central Bank. As the economy reopens, there will be a need for increased liquidity for working capital and investment finance to meet the expected increase in demand in the recovery. Perhaps Dr. Harvey or Ms Kilcullen wish to comment on the issue of demand.

Ms Fiona Kilcullen: A bank lending survey is done by the Central Bank of Ireland. There is also the Department of Finance's credit demand survey. They point in the same direction in that due to uncertainty over Covid-19 and Brexit, businesses are not borrowing. Indeed, some have been approved for loans but are waiting to reopen before they draw them down.

Surveys are taking place. The credit demand survey was recently carried out by the Department and published in November. The Central Bank of Ireland has published its recent report as well. It shows an expectation of a large increase in demand from SMEs for borrowing in the second half of this year.

Deputy Richard Bruton: I thank the witnesses.

Deputy David Stanton: I welcome our guests.

I agree with Deputy O'Reilly in terms of being cautious about waiving pre-legislative scrutiny. In one sense, however, this is pre-legislative scrutiny, given that we are discussing the Bill.

I will ask one or two brief questions. Mr. Hughes told us that since the start of the pandemic, €931 million had been sanctioned. How much of that has been drawn down? He stated that amount was across 8,000 businesses. That would be €116,000 on average if my math is correct. Of the overall 230,000 SMEs, 8,000 seems a small number. That might be a good thing and mean that SMEs are not under any pressure, but as Mr. Hughes noted, many businesses are reluctant to take out extra borrowings and pressure in that regard.

For the purpose of this Bill, how does the Department define SMEs? It is probably the usual definition, but the witnesses might put it on the record.

Deputy Bruton touched on the repayment situation. I note that loans are repayable after three years, six years and so on. Will the witnesses say more about when businesses will be expected to repay? If they are still under pressure in future, might there be rollovers or what other kinds of relief could they get?

It was stated that 137,000 farmers had a combined output of €8 billion in 2019. I believe the horticultural sector in particular was mentioned. Can Mr. Hughes give us an indication of the demand for loans such as these from the agricultural and horticultural communities? What kinds of pressures are they are under?

Mr. Declan Hughes: My colleagues can clarify the figures with regard to the drawdown book. We have seen very significant drawdown from both the future growth loan scheme and from the credit guarantee scheme. As I said, more than €250 million was drawn down from the latter scheme and almost €600 million was drawn down from the former scheme. I will ask my colleagues to comment on that.

I might just deal with the other issues regarding SMEs and mid-caps. Our definition of SMEs includes micro, which employ fewer than ten people, and SMEs, which employ fewer than 250 people. For the record, we have also included mid-caps, which are businesses with fewer than 499 employees. Using European definitions, we have very good coverage in terms of the SME base.

One of the key objectives of the payment schedules was to try to lengthen the time of the loans. For example, lending under the credit guarantee scheme is for up to six years. Similarly, we wanted to extend the Brexit impact loan scheme as far as we could beyond three years. We can go out to six years now, which will be welcomed by many businesses. There will also be options for the usual moratoriums on repayments, repayment schedules, etc. We have seen that flexibility in many of the schemes. It is being negotiated by the banks with their borrowers and they are obviously kept under continuous review. The only point the banks always make to us is that it is key that the borrowers maintain contact with their lender in order that they can continue to ensure they are agreeing schedules of repayment and there are no surprises.

On the horticultural and agricultural side, we have been working for a number of years now on this joint initiative with our colleagues in the Department of Agriculture, Food and the Marine. All our initiatives on the guarantee side are generally jointly negotiated with the Strategic Banking Corporation of Ireland and jointly funded by the two Departments. The Department of Agriculture, Food and the Marine generally has specific quotas for primary producers, which can be up to 20% or 30% marginal value, MV, for the food sector and maybe up to 40%. They can mix in terms of their contribution between the processors and the primary producers. We know the processors and consumer food companies have spent a number of years preparing. The Deputy may be aware, for example, of Carbery Group Limited in west Cork, which took the significant strategic decision two years ago to invest in mozzarella production. We spent a lot of time getting the EU approval for that €78 million investment. The company commenced production of mozzarella for the Asian market before Christmas. Obviously, that helps to sustain farm families right across west Cork. Similarly, after Christmas we launched a new €100 million competitiveness and market diversification fund for the meat and dairy sectors to help improve their competitiveness but also to respond on the climate action side.

The Department of Agriculture, Food and the Marine and Enterprise Ireland, together with Bord Bia, are also working with the horticultural sector to help with diversifying its markets. Whether it is fruit and vegetable producers or mushroom and other producers, the sector is probably better prepared for Brexit than it was for some of the previous crises it had to deal with in terms of companies changing their supply chains, improving their competitiveness and looking at alternative markets and how they can adjust to them. These companies have been hit twice in the past year, by Covid-19 and Brexit. This scheme will help the sector with short-term working capital needs and also investment plans as companies seek to increase value added and the innovation of their products so they can continue to compete in Britain and also find alternative markets. I ask Ms Harvey or Ms Kilcullen to comment on the data side.

Ms Fiona Kilcullen: I will mention a few points on repayments for SMEs and moratoriums. Looking at the figures, and Ms Harvey can follow on from this, loans to the value of €900 million have been drawn so far. This includes agriculture primary producers. Many of the schemes contain features that allow for moratoriums. Under the credit guarantee scheme, for example, payment breaks of up to a year, including interest repayments and principal, can be given to people who have loans if they find themselves in difficulties. Further forbearance is allowed after that within the scheme. We are hearing so far that very few borrowers have availed of that. It is welcome that this capacity is available if needed.

On farmers and fishers, there has been a good level of uptake of the credit guarantee scheme in the primary agriculture sector, particularly for dairy. There are 407 loans in dairy, 189 in other farming and fisheries has also seen a good level of activity. For those we are here to discuss today, bringing the primary producers and farmers into that scheme would be extremely beneficial for those who are Brexit impacted because the Covid-19 credit guarantee scheme is particularly for Covid. The Brexit impact loan scheme would, therefore, be extremely beneficial to primary producers and farmers as they cannot avail of the current scheme for Brexit.

Deputy Matt Shanahan: I thank our guests. I have a couple questions for Mr. Hughes. He said loan terms under the Brexit impact loan scheme are a minimum of three years extending to six years and that loans can be refinanced. What happens when borrowers reach the end of the six-year period? Do they have any guarantees with respect to the rate of interest at which they might refinance? Is it a market rate or will it be a supported rate?

How will companies that have availed of this year's warehousing of debt be treated under the extensions to the Covid-19 support and Brexit impact schemes in terms of accessing additional funding? Are companies that are already approved under the Covid restrictions support scheme, CRSS, and the Covid-19 business aid scheme, CBAS, treated differently or is this looked at as separate financing under these applications?

Mr. Declan Hughes: What I was referring to regarding the refinancing is that businesses with current loan facilities and borrowing can refinance those with this scheme. It would be too early to say what would happen at the end of the six-year period. I think most of the loans would be on a schedule for repayment of capital interest, depending on the schedule, after six years. Prior to the future growth loan scheme, the banks already had arrangements in place where they were providing five-year loans and had agreements on how the loans might be rolled over. Some of those would, therefore, be commercial arrangements. Our intention, working with the lenders, is that in cases involving three-year money coming to the end of the term this year that needs to be refinanced for a longer period, borrowers will get access to this guarantee at competitive rates and on better terms. I hope that is helpful to the Deputy.

On the warehousing of debt and the CRSS and CBAS, those payments are essentially contributions to the fixed costs of any business in receipt of them. The Government has indicated that those payments will be available until the end of June. There will not be a cliff edge. Obviously, it is too early to say what will happen there. The business plans that would be developed by any business will obviously take account of what they have benefited from to date and then project forward. Last year, businesses were submitting applications to the banks with a number of scenarios. That would be the normal sensitivity testing which would be done by the banks, in terms of saying remain open and demand recovers this year or next year, but assessing what might happen if there was a further shock. The track record has been that the Government has stepped in to provide the necessary supports for employees through the wage subsidy scheme as well as to cover fixed costs with the CRSS and the SBASC. I expect any warehousing of debt and repayments would be part of the scheduling and the financial planning which would be built in. The Revenue Commissioners have issued guidance as to when some of those liabilities will fall due. They are open to engagement and that would feature as part of the financial planning.

As Deputy Bruton mentioned, there is financial advice available to businesses. We encourage businesses, and certainly microbusinesses, that are trying to work through those financial plans at this stage and are looking forward 12 and 18 months and looking at the financial projections to engage with their local enterprise office, and if they had a mentor last year or they had somebody to engage with through the business continuity scheme to engage with them again. Fáilte Ireland has similar support, as well as Enterprise Ireland. Certainly, they should get good advice, as many businesses have done. That has helped to sustain businesses over the last year, in that they put good business financially sustainable plans in place with their financial projections. If the Deputy seeks further detail on that, I am happy to refer back to him.

Deputy Matt Shanahan: I wish to raise a further issue. Mr. Hughes spoke about primary producers. He is probably aware of the issues in milk production at present with regard to Glanbia. The latter had entered an agreement to build a cheese factory which was going to have a sizable uptake in milk capacity. It is held up now by a judicial review being progressed by An Taisce. The result is that Glanbia farmers, primary producers, are now being written to saying, in effect, that quotas are back. This is putting many farmers who have been scaling up in the last four years into extreme financial difficulty because their projections have been completely upended. Many of them are being put in a reference milk supply dating back to three years ago. Is there any facility whereby Glanbia, for example, could make an application to this scheme in terms of supporting farmers who are caught in these difficulties?

Mr. Declan Hughes: I know that Glanbia worked with SBCI previously and with their suppliers on their financing needs. I am aware that it is working with them on trying to set out production schedules, quota and so forth as well. It is all about contingency planning. Certainly, if there are ideas there for this or for other mechanisms, the inclusion of primary producers would mean that the farm enterprises the Deputy refers to could certainly benefit from it. It is quite complex in terms of producing at lower prices and so forth. It is an unfortunate situation, but the facilities are available.

Chairman: That concludes the first round. Does Deputy Stanton wish to contribute again?

Deputy David Stanton: I agree with what Deputy Shanahan said in respect of the Glanbia situation. It is impacting businesses in my area too. Even though it has gone through all the planning issues along the way it is still being held up. That brings us to the issue of planning laws in Ireland and the fact that enterprise can be delayed *ad nauseam*. That can have an impact on foreign direct investment here as well, which is something we should take into account.

I have a question for Mr. Hughes and his colleagues. The small enterprises that have been affected more than any others are small retailers. There has been talk about click and collect starting shortly and so forth, but many of these small businesses have been closed for quite some time. With retailers in particular, some of their stock is season-dependent. They have summer stock and then they must get rid of that in the sales in the winter. Then they bring in the winter stock and they get rid of that in the sales in the spring. They have not been able to do that, so their cash flow has been impacted. On top of that, in recent days we have heard reports that some of the large multiples have been selling stock such as shoes, clothes and so forth, which they are not supposed to do. That could have an impact on the small and medium sized retailers in towns and cities across the country. It is deplorable they are doing that and shocking that they are not being pulled up on it. It appears that it requires a complaint to be made to the Garda and the Garda must then investigate, which seems to be very convoluted.

I appeal to the larger multiples to stop selling this stock because they are impacting in a negative way. If people get into the habit of going to the larger multiples, they will stop going to the smaller shops. What is the situation with regard to small retailers in towns? We hear a great deal about town centres and so forth. Many of our town centres are being hollowed out because these small retailers have been closed for so long and nobody is going into the towns. I am not sure whether the behaviour of the multiples will have an impact on the small retailers. Does Mr. Hughes have a view on that? Second, what is his information or knowledge of the impact on small retailers across the country? Will many of them not reopen? Are many of them engaging with the various agencies such as the Department, the LEOs and so forth with respect to the various loans we are discussing today?

Mr. Declan Hughes: We have been working with the retail sector in the context of both Covid and Brexit since 2016 or 2017. We have really good contacts with the sector across the representative bodies, including the Convenience Stores and Newsagents Association, CSNA, and the Retail Grocery Dairy and Allied Trades Association, RGDATA. They are members of a retail forum which is chaired by the Minister of State with responsibility for retail, Deputy English. We have also had, for the last year in particular, a retail and supply chain round table which during last year was meeting probably once a month or every two weeks, and over Christmas and at the back end of last year it was probably meeting weekly, to deal with both the Covid and Brexit impacts. It was to ensure that we have continuity of supply, and retailers and wholesalers put in extraordinary work to ensure we had continuity of supply, and to deal with all the issues that existed in terms of new customs and other procedures.

The retail sector proved relatively resilient last year because it had click and collect. It diversified quite quickly in using the online vouchers from the local enterprise offices. Indeed, many found new markets and alternatives. In some of the grocery retail, we know that off-licences and other parts of it have done quite well, in some cases up 15%, 17% or 20%. However, it is the broader base of retailers that populate our high streets and main streets that have been particularly impacted since Christmas, especially in not being able to avail of click and collect. That is a huge sacrifice. People stayed at home, did not congregate and so forth and that was based on public health advice. We had a meeting of the retail forum with the Minister of State, Deputy English, last week which looked at the reopening roadmap and the prospect, which the Tánaiste and Taoiseach have mentioned, of reopening click and collect, hopefully in May if the numbers continue to go the right way, and then the remainder of non-essential retail thereafter. Indeed, our advice now to all retailers is to put preparatory actions in place by ensuring they have work safely protocols, ventilation and queuing systems. We are engaging with shopping centres and others in regard to that reopening.

At the same time, we have also had the compliance issues, which the Deputy mentioned.

There are clear regulations which specify the outlets and activities that are to be open and not open, in terms of essential or non-essential. The regulations are also very clear for mixed retailers. Where there may be, for example, fashion, clothing and home ware, they are to be sectioned off. It is not permitted to allow the public into those areas except on compassionate grounds. We all know of many examples where people need clothing for job interviews or funerals, for example, and the compassionate grounds provision exists in those circumstances. The Government has also introduced new regulations to allow for the fitting and purchase of children's shoes from last week by appointment.

Therefore, the regulations are clear. An Garda Síochána has been working very closely with us and members of the force met with the retail forum last week to outline the measures being taken. Those measures focus on engaging, encouraging and informing. Where that is not the case, however, and the Garda is not getting co-operation, enforcement will be proceeded with. I think just under 200 cases have been referred by the Garda for consideration to the Director of Public Prosecutions, DPP, and I believe several cases are pending in that regard. It is a very credible regime and we have continuously sought the co-operation of all retailers. I reiterate that the majority of retailers are bearing the brunt of this situation. In the remaining time, it behoves everybody to fall into line with the regulations to ensure we have a safe reopening for everybody.

The full range of supports are available. The CRSS is specifically for retail outlets that have had to close on public health grounds and have not been able to allow the public access. That support is available and is being accessed by the retailers. Hopefully, it will sustain those retailers on the main street and ensure that they are in a position to reopen. Many of those retailers have stock from last spring and summer and perhaps now autumn stock as well which has not cleared. That is a significant issue for them, but we will provide encouragement regarding there being good value available in such areas when we get back out and reopen. Hopefully, the public will be back out supporting those retailers.

The small business assistance scheme, SBASC, has also been beneficial in this regard. Approximately 22% of the applicants so far have been from the wholesale and retail trade. Many wholesalers and suppliers to the retail sector that do not benefit from the CRSS because they do not have customers coming in have been benefiting from SBASC. There has also been very high take-up under the credit guarantee scheme, and they will also be able to benefit from the scheme under consideration.

We must now work towards a safe reopening, get consumers back out spending and get cash flow back in the retail sector. As the Deputy will be aware, we have been working with the local authorities to ensure that the public realm is attractive and safe for local shopping. Significant initiatives were taken in this area before Christmas. The Deputy will be aware that there is a new €200,000 grant scheme for local authorities to undertake further improvements in respect of streetscapes to ensure that our town and city centres are attractive for people to come into, mingle and enjoy recreation, shows and other entertainment as well. Regarding co-operation, many chambers of commerce around the country are working at local level with the local authorities, retailers and the hospitality sector to ensure the provision of attractive public realms in which people will feel it is safe to come back into and spend some of their savings.

Senator Ollie Crowe: I think all members will echo Deputy Stanton's views. I welcome Mr. Hughes' comments. The large retailers are up 20%, and there will not be an SME or small business left if we leave it much longer. I take it that there is going to be a direction from the Department that click and collect will recommence in the first week of May. That would be very welcome, if Mr. Hughes can confirm that will be the case.

What percentage of retailers are receiving the CRSS? To reiterate points I made before concerning restart grants and other supports, and I do not know if there was a communication issue or some other problem, a high percentage of retailers on the high streets in Galway city were certainly not getting them. There may be reasons that was the case and Mr. Hughes might let us know. I re-emphasise that I understand fully the difficult situation faced by the Garda in a large city such as Galway. There have been a minuscule 200 prosecutions. With the greatest of respect, there has been no let-up in the large multiples in areas such as shoes, sweatshirts, jumpers and boots, for example. It is a very frustrating issue for Deputies and Senators on the ground.

My two brief questions, then, concern whether Mr. Hughes can confirm that click and collect will be reinstated in the first week of May and the percentage of retailers receiving the CRSS.

Mr. Declan Hughes: I thank the Senator for his questions. I wish we were in a position to set the regulations and the timeline. Those decisions are made from a public health perspective, but certainly the roadmap as published by the Government, depending on the numbers, has firmly indicated that, all going well, click and collect will be back in May. That would be step one. We would be supportive of that development, but it is dependent on public health advice and those regulations are obviously made by the Department of Health, in conjunction with the Department of the Taoiseach. We will, however, input into that process. What we and the Minister of State, Deputy English, have been saying to the retail sector is to prepare on that basis. Things change and who knows what variants or other developments might happen, but I concur with that view.

I do not have the details regarding the CRSS as it is a Revenue scheme, but we can provide that to the Senator. Looking at the temporary wage subsidy scheme, however, it is possible to see that a high proportion of businesses, more than 70% of those in motor retail and repair, availed of the scheme. There were similarly high numbers in the wholesale area. Figures for the TWSS indicate that 30% to 40% of retail businesses availed of the scheme, which would tally. We hope that all retail outlets impacted by the current level 5 restrictions are benefiting from CRSS on the basis that they have a relationship with Revenue, they are on the system and they should be able to avail of the scheme. If they are not, they should then be able to come in and get the SBASC. An example would be if a retail outlet is not closed on public health ground but perhaps for other reasons or revenue is down 75% because the trade just is not there.

As I mentioned, approximately 22% of applicants for the SBASC, which is a scheme we know about, are from the wholesale and retail sector. We are certainly happy to follow up for the Senator on the CRSS data.

Deputy Matt Shanahan: I have been communicating with Mr. Hughes for some time regarding certain sectors excluded from the CRSS and SBASC because they do not have rateable premises. I was specifically referring to people in the fairground, amusement, leisure, circus and catering areas. Mr. Hughes said that other ways of trying to provide support to these sectors were being explored. Have there been developments concerning that?

My second point concerns previous comments made by him regarding examining involvement of the credit union network in some of the microfinance elements. Has the Department been considering activities that might promote more of a public banking role for the credit union network, given the exit of Ulster Bank and now KCB? Is the Department giving any views to the Department of Finance regarding such a role or any support on how we might consider implementing a wider banking role for the credit union sector?

Mr. Declan Hughes: I thank the Deputy for his questions. We have received a range of queries that are going back out to the local authorities, which hopefully have been helpful. However, once a business is on a rated premises, even if it is not the business paying the rates - and of course some elements of the rates charge are contained in their bill or payment - then that business will be eligible. Regarding the business referred to by the Deputy, clarification was provided that it would be eligible because it is a business in its own right providing a service on the premises of someone else. That service provision has ceased, but the business concerned has a fixed point of operation. It has a fixed premises in that park, and that is an important point. We have really tried to get the message out in that regard. It is also addressed in the frequently asked questions for the local authorities, which is helpful.

For others, such as circus businesses, it is a small amount but they would certainly be eligible. Most of them have a lock-up or storage as well. What we are trying to do with the SBASC is to cover their fixed costs. It is not necessarily about covering their loss of income or, in many of these cases, the ongoing maintenance and re-equipment, which, as the committee will know from many examples, may well be significant. It is trying to ensure they will at least have funding that will sustain them from a fixed-costs perspective. I hope it has been helpful and we will seek to examine further initiatives for other sectors. While we rolled out the small business assistance scheme, our colleagues in the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media launched the music and entertainment scheme, which is again trying to cater for some of those businesses that were not covered by CRSS or other schemes. We need to ensure we have the right mix of supports. There are probably still a small number of home workers and so on whom we need to ensure can get back up and running quickly.

As for credit unions, I mentioned in the context of the credit guarantee scheme that extensive work has been done with the Department of Finance and the SBCI to ensure that credit unions could participate. There have thus far been two tranches of credit unions that have put in the required systems, the capacity and the risk assessment. Some credit unions have got those systems in place in their own right and will be well versed in lending and risk assessment for credit unions. We are very keen to see them step up and continue to participate in that market. Ms Kilcullen might like to comment on that.

Ms Fiona Kilcullen: I reiterate we have had a very positive experience thus far with the first tranche of credit unions joining the Covid credit guarantee scheme. The due diligence process, governance and other systems are assessed to do that. The credit unions that have been successful in joining the Covid credit guarantee scheme are now in a position to join other schemes quite easily, and with the open-call system we welcome applications from credit unions. Also, Microfinance Ireland is providing loans in a similar sector, with good links to the local enterprise offices to provide support and mentoring to small businesses throughout Ireland. The reach for small business and microbusiness throughout the country, through credit unions, Microfinance Ireland and the local enterprise office network, is something we are definitely pursuing.

Deputy Matt Shanahan: To return to the issue of fairground and amusement park businesses, a number of them are not connected with a rateable premises because their equipment is generally kept in container lorries when they tour the country. They spend a large proportion of the year travelling to different towns, so many of them are not tied to a rateable premises. I think some of them have written to the Department under the Showmen's Guild. Could the Department examine a specific initiative to support those businesses? They have had no income for nigh on ten months.

Mr. Declan Hughes: We are certainly very happy to revert to the committee on that. There is an issue, as there is for the events sector generally, and we are conscious of that. If the current events supports and measures are not sufficient, we are very happy to revert to the committee.

Chairman: As no other speakers are indicating, that concludes our briefing session. I thank the representatives from the Department of Enterprise, Trade and Employment for their contributions.

Business of Joint Committee

Chairman: Before we go into private session, I propose we open the meeting to any other business because I am conscious that public meetings are currently difficult to arrange. Deputy O'Reilly has indicated.

Deputy Louise O'Reilly: The fact the Cabinet is about to meet face to face for the first time in months signals to me not that there will be a relaxation but perhaps that circumstances are changing a little. Would we be able, therefore, to schedule some additional meetings and have some more freedom in light of that? It would be very welcome. Specifically, can we schedule a meeting with content moderators and representatives from the social media platforms as soon as possible? This is a fairly pressing issue. I tried previously to include it on our work plan but given that we might now have a little more freedom, this might be a good time to consider scheduling a meeting.

Chairman: We are seeking additional meetings and I think we will be granted them soon. It is my intention today to invite in a representative of the Communication Workers Union to appear before the committee. It is expected that the meeting after next will be with Facebook content moderators.

I propose we now go into private session. Is that agreed? Agreed.

The joint committee went into private session at 10.46 a.m. and adjourned at 10.50 a.m. until 9.30 a.m. on Tuesday, 27 April 2021.