

# DÁIL ÉIREANN

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**AN COMHCHOISTE UM POIST, FIONTAIR AGUS NUÁLAÍOCHT**

**JOINT COMMITTEE ON JOBS, ENTERPRISE AND INNOVATION**

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*Dé Máirt, 04 Nollaig 2012*

*Tuesday, 04 December 2012*

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The Joint Committee met at 1.35 p.m.

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MEMBERS PRESENT:

Deputy Áine Collins,	Senator John Kelly,
Deputy Michael Conaghan,	Senator Feargal Quinn.
Deputy Seán Kyne,	
Deputy Anthony Lawlor,	
Deputy Peadar Tóibín,	

DEPUTY DAMIEN ENGLISH IN THE CHAIR.

*The joint committee met in private session until 2.10 p.m.*

### **Forthcoming Competitiveness Council: Discussion with Minister for Jobs, Enterprise and Innovation**

**Chairman:** I welcome the Minister for Jobs, Enterprise and Innovation, Deputy Richard Bruton, and his officials to today's meeting. He will brief the committee on the forthcoming Competitiveness Council meeting which takes place next week in Brussels. I apologise for the slight delay in the start to this meeting but this was due to dealing with committee private business and reports which will be heading the Minister's way.

I invite the Minister to make his opening statement.

**Minister for Jobs, Enterprise and Innovation (Deputy Richard Bruton):** I thank the committee for the invitation to provide a summary of the agenda items for the forthcoming Competitiveness Council meetings in Brussels on 10 and 11 December 2012. I am accompanied by Mr. Philip Kelly, assistant secretary, and Mr. Aidan Hodson, who deals primarily with the Irish Research Council.

The first day of the Council will deal with industry and Internal Market items while the second day will deal with research. The first item on the first day concerns the recognition of professional qualifications, a Single Market Act which is going through various Councils. It will allow people with professional qualifications to move freely between different member states. It is aimed at reducing red tape, increasing transparency about the regulated professions in Europe along with the level of regulation in member states, and will introduce a European professional card to facilitate speedier recognition of qualifications. The directive will also introduce an alert mechanism, particularly in the health professions, to protect patient and public safety. It is expected that, following dialogues between the Commission, Council and the European Parliament early next year, agreement will be secured under our EU Presidency next year.

The second item on the agenda is the public procurement package. There are altogether three directives in this package: the classic public procurement directive; a directive on the procurement by entities operating in the water, energy, transport and postal services sectors; and a directive on the award of concession contracts dealing with procedures involving public private partnerships. The measures proposed will ensure better value for money by giving more flexibility, making the public procurement function more accessible for all parties, as well as increasing the opportunities for small and medium-sized enterprises through the wider use of e-procurement, simplified procedures, breaking down contracts into lots and limited turnover requirements. This is another priority file of the Single Market Act for our Presidency next year and I am committed to making good progress with the European Parliament to bring this to a successful first reading.

The next item will deal with the Union customs code. The Council will have an orientation debate on the modernised custom code which will align it to the Lisbon treaty, adjust it to the practical aspects and developments in customs legislation. Ireland has engaged actively in all discussions and continues to contribute constructively to the debate. The second item in this area will be the amended proposal for a regulation establishing an action programme for

customs in the EU, Customs 2020. The general objective of the programme is to strengthen the Internal Market through co-operation between participating customs authorities. It has a proposed budget of €548 million over seven years. Ireland welcomes and fully supports the proposal for a new customs programme. As with previous programmes, Ireland will benefit from its tools including joint actions and training of customs personnel.

The next item consists of a presentation of the review into the action plan combating infringements of intellectual property rights. Ireland agrees with the broad thrust of the Commission's report and with the conclusion that a successor plan which draws on lessons learned during the period of the current action plan is required.

Following this, the Council will examine an action plan to combat intellectual property rights infringements between 2013 and 2017. This follows from the review and the intention is to set out a new action plan. Ireland shares the concerns of the Commission about the problems of infringement, counterfeiters and so on in the area of intellectual property rights.

Another issue for discussion is the draft council conclusions on the progress on the strategy for the evolution of a customs union. There are no contentious issues and it is expected that the conclusions will be adopted.

The next item is more significant and relates to an issue that has been ongoing for years, that is, the establishment of a unitary patent. The idea is to simplify the number of languages used in filing a patent in order that it would not be so expensive to file in 27 member states. Two countries are not participating in the unified patent agreement, namely, Italy and Spain, but all other member states are proceeding under enhanced co-operation to establish a patent within the European Union. This will set up a unified patent and there will be adjudication and a unified patent court. The location of the court has been agreed. This issue had held up the process for a considerable period but it is to be spread among several member states with Paris as the location of the leading centre. Centres in the United Kingdom and Munich will have subsidiary involvement. I hope this will be signed during our Presidency of the EU Council and it should finally come to fruition at that stage. From an Irish point of view it will require a constitutional amendment because of the implications for the courts of having a superior court in the patent area.

The next item relates to the modernisation of state aid rules. The idea is to try to improve the clarity, transparency and predictability of state aid rules. The proposal has wide support. It would involve more devolution to member states, higher *de minimis* thresholds and so on and these have broad support.

There will be a discussion on the second phase of the Single Market or the so-called Single Market act II, which was introduced by Commissioner Barnier. There are another 12 areas covering a broad range. Many are closely related to public utilities or integrated networks, including in the rail, maritime, air transport and energy sectors. Some are more related to the mobility of citizens, access to finance and the business environment. There is a mixture but the areas are heavily weighted towards the networks or hard wires of the system.

There will be a discussion on the Europe 2020 strategy for industrial policy. Europe is trying to upgrade and position itself to be competitive, especially in manufacturing, with improvements in productivity. The discussion will highlight new technologies and key enabling technologies where Europe needs to achieve leadership. The idea is to consider how we deliver this in the areas of access to finance, skills and smart specialisation.

A range of issues have been proposed to member states which will influence the roll out of instruments such as Horizon 2020, one of the Commission's instruments for influencing the shape of industrial policy.

There will be a discussion on cars which, I imagine, does not interest the committee greatly.

The second day will involve a discussion of Horizon 2020. The decisions on the funding envelope will have a considerable bearing. As of now a running tot suggests that the figure might be down by €5 billion and that the €80 billion originally proposed has been whittled back somewhat. The original figure would have represented a greater than 33% increase on the previous round. Nonetheless it is a significant pot of funding. Generally, Ireland has boxed above its weight in terms of the amount of draw down received from the existing seventh framework programme or FP 7. Obviously, we are keen to maintain that. Interestingly, we are the best country when it comes to access by SMEs to FP 7. On a positive note, the new Horizon 2020 programme proposes an increase in the amount allocated or assigned to SMEs in the overall programme. This is a good omen for us. The specific discussion will relate to the instruments that implement the Horizon 2020 programme. They include the development of a broad alliance of activities in Horizon 2020 and the share out. A series of legislative instruments will give effect to the programme.

The last item relates to the European Atomic Energy Community. The proposal is intended to work integrally with the Horizon 2020 programme and contribute to its objectives. It sets out the overall budget for direct and indirect action in the field of nuclear research and related scientific programmes. It will run from 2014 to 2018.

That is probably more than the committee needs and it may be best to give people an opportunity to ask questions.

**Deputy Peadar Tóibín:** It may sound like a strange thing to say and I mean no disrespect to anyone here, but this is similar to the last meeting we held with the Minister in that there are 14 public servants here and seven elected representatives. Often I wonder whether it is the best use of people's time to have so many people here now. It is important that we get answers to all the questions we ask at these meetings but I wonder whether it is the best use of people's time.

Public procurement is an important issue for us and we have discussed it in the committee before. The Government is seeking to ensure that value for money is inherent in the agreements in Europe. Will the Minister examine other elements of value for money? Value for money does not necessarily mean the lowest cost of a particular contract. Ireland has a negative record because a good deal of procurement goes outside the State *vis-à-vis* a comparison with other European countries. There are others costs, including the cost of unemployment, costs relating to secondary procurement that would result from procurement and costs associated with taxes, social welfare, rates and wages. All of these costs are lost when public procurement goes elsewhere. Could these be included in the understanding of value for money? For example, in my hometown, Navan, a school is being build in Johnstown. Most of the staffing for the building project are not local. Can we build local needs into public procurement to ensure it has a better effect on the locality? Yesterday, we heard the story of the HSE auctioning contracts, etc. The bunching of procurement into large contracts in the State prohibits smaller, typically local indigenous businesses from securing these, with the added costs to the State.

I recollect the Minister stating that the position of the Government on the customs union group is to engage actively and contribute constructively to the debate. Will the Minister pro-

vide more feedback on what exactly the Government's attitude will be in this area?

The Minister referred to unitary patents and agreements. Obviously if the changes create an efficiency with regard to businesses not having to take out patents in different jurisdictions, then we would be in favour of it.

One of the secondary outputs of patents, royalties and licences is the transfer pricing policy carried out by large multinational companies. An important debate is under way in Britain at the moment over the moral situation, whereby large multinationals shirk their responsibilities and ensure they do not pay their fair share of taxes. When dealing with patents, is it possible to ensure that loopholes with regard to transfer pricing on the basis of licences, etc., are not exploited to the detriment of the tax take of countries? There is a major need to reform state aid in this jurisdiction. There are European guidelines on what regions can afford foreign direct investment grants. My own county of Meath, for example is not in the BMW region and cannot, therefore, give the same level of grant aid to foreign direct investors that would be possible only 15 miles away in a neighbouring county. This is up for renegotiation in 2013 and we should build into our Government's negotiating stance the argument that the whole regional basis for grant aid is out of date because of the recession.

There are several good points on what needs to be done with regard to industrial policy but there is a danger that it could be just rhetoric if it is not backed up by stimulus investments to ensure that we achieve the job creation we hope for. The target of 3% of GDP for research and development by 2020 does not look realistic because we are so far behind as it is. I ask the Minister to outline his views on that

**Deputy Richard Bruton:** What generally happens in this situation is that if people are handling a dossier for the European Council and attending the working groups that are dealing with it, they make themselves available to the committee to answer any technical questions that may arise. I have no problem if the committee wants a smaller team to attend. It will just mean that we may be corresponding with the answers subsequently.

**Chairman:** Just to clarify, the committee is very happy to have the team here. No matter how good a Minister is, and Deputy Bruton is quite good, he or she cannot know every detail. That is why it is important to have Departmental staff here. Furthermore, we like the officials to hear from us directly because they are dealing with these issues on a daily basis. As Chairperson, I believe it is important that the Minister and his team come before the committee to hear our questions and concerns. I am very conscious that the committee regularly writes to the Department seeking detailed information but it is also good to meet face to face and talk through some issues.

**Deputy Richard Bruton:** On the issue of public procurement, these directives do not specifically deal with questions such as whether one can build into one's procurement criteria things like the level of unemployment. However, under existing public procurement rules it is possible to include things like unemployment in a region. I know that the Minister of State at the Department of Finance, Deputy Hayes, is looking at this with a view to using it in an Irish context. I do not think it is possible to refer to the local wages being paid. In other words, one cannot give an explicit preference to one country over another or one region over another but one can recognise unemployment as a feature and the taking on of people who are unemployed. Public procurement rules are not solely based on lowest cost and other issues are taken into account. In the context of these directives, the aim is to allow unbundling and to allow more flexibility to achieve value for money.

I will ask my colleague Mr. Philip Kelly to address the question about customs union.

**Mr. Philip Kelly:** We do not have colleagues here from Revenue who deal with the customs unions. The issues in that regard relate to streamlining the administrative procedures in customs across member states and better tackling of counterfeiting and piracy, particularly in order fulfilment, where some of the orders might be placed over the Internet. In essence, it is about streamlining procedures in the customs area and tackling intellectual property fraud.

**Deputy Richard Bruton:** I welcome the support expressed by Deputy Tóibín for the patents law, which is long-awaited and which will be beneficial, with an estimated potential saving of €30,000 per patent. However, I do not think that patent law can get into the much wider issue of transfer pricing. Patent law is essentially about protecting intellectual property rights while transfer pricing belongs in the realm of revenue law. There are international codes that set out what are legitimate rules on transfer pricing. I am aware that there is a very lively debate ongoing on transfer pricing but it is a much wider debate than is contemplated here.

Deputy Tóibín raised the issue of regional aid guidelines in the context of state aid rules, which are up for review next year, as he pointed out. The discussion we will be having next week is not specifically concerned with the regional aid guidelines. The issue raised by the Deputy is very actively debated around the country. Ireland has a certain percentage coverage, which is 50% at present, and the regional spread that we have chosen includes the BMW region, Limerick and the South East and so forth. That predates my coming into office but is based on various statistical indicators of disadvantage in the regions. The issue will come up for full debate next year but the general thrust of the Commission's plan is to reduce the areas that are covered by regional aid. I would imagine it will be very difficult to get the figures heading in the other direction. For the benefit of committee members, the aforementioned indicators of disadvantage include GDP *per capita* in purchasing power standard, PPS and unemployment. The objective of the Commission and a number of member states is to reduce regional aid rather than to increase its geographic coverage. That will be a very lively debate and we will be making the case that Ireland has suffered increased and particularly adverse dislocation which must be taken into account.

I agree with Deputy Tóibín that an industrial development ambition is all very fine but we need to have effect instruments to implement it. From the Commission's point of view, Horizon 2020 would be a very significant instrument in that it covers research, its commercialisation and application. The Deputy is correct that a lot of countries, including Ireland, are struggling to reach their targets. The 3% target is for the EU as a whole and each member state has to try to contribute as best it can to that. Ireland has set a target of 2.5% of GNP for 2020, taking into account our public finance position. Two thirds of that is to come from the private sector, with the remaining one third from the public sector. Even in the midst of this difficult recession we are, by and large, maintaining our research budgets because we believe it is vital. As the Deputy will know, we have carried out a prioritisation exercise to make sure we are expending our research funding in areas where commercialisation is likely.

**Chairman:** I call Senator Quinn.

**Senator Feargal Quinn:** I welcome the Minister who seems to be getting very fond of us and is coming before the committee on a regular basis.

I am concerned about subsidiarity. It seems to me that more and more power is going to the centre of Europe rather than being delegated outwards. I wonder to what extent we are very

good Europeans compared to others. A lot of the regulations that are made - not just European regulations - apply to small companies as well as large ones. There is a suggestion that far fewer regulations should apply to start-up companies that have fewer than ten employees. In the case of France, for example, a number of regulations do not apply to companies until they have 50 employees. It could be argued that this discourages companies from taking on their 51st employee and therefore growing but it appears that many of the European regulations could also be limited to larger companies. I would like to see that issue advanced but I do not know to what extent it is possible to achieve it, with a form of subsidiarity.

Some countries have a regulation which provides that if a new regulation is introduced for a small business, some previous regulation must be dropped. In other words, they operate an “in and out” process, so as not to have a surfeit of regulations that will inhibit a company from growing, inhibit start-ups or inhibit SMEs from developing business. Would it be possible for us to argue in Europe that many of these regulations should not apply to small businesses?

**Deputy Richard Bruton:** This is an issue that is of concern to many member states. The Commission will produce a document in March on the issue of better regulation and exemptions for small businesses. I am aware of the French system. The issue for each member state will be to try and see whether it can adapt its regulations to this. We will publish a companies Bill shortly through which we will reduce the audit requirements for companies with fewer than 50 employees. We need to look at each area to see what can be done. In some areas, such as health and safety, it would be very hard to exempt companies with fewer than 50 employees for fear of a genuine risk to life and limb. The principle is well accepted and we await the Commission’s document to see how it will seek to implement this.

There are implications for us also. We have just completed an audit of regulations for retail business, which will be of interest to the Senator. This was an audit of licences generally and we are now looking to see what scope there is to simplify those codes here and to get collective application rather than having different enforcements with different requirements. Regulation is a huge issue. The Commission is to try to bring forward a successor to the 25% administration burden cut, which is due to be completed this year. Therefore, there will be debate on what should replace that and there are different views from the different member states.

One of the views being strongly advocated by the United Kingdom is the one-for-one notion. The United Kingdom has a very elaborate system. A cabinet committee there does a detailed evaluation of the regulatory burden from each regulation and every time a new regulation is introduced, it must replace one of an equivalent compliance burden. That system has had mixed success, but it is the Rolls Royce of systems in terms of putting a requirement on the system to respond. However, it is quite intensive in terms of resources. We considered doing the same, but the sheer intensity of creating an evaluation of how much regulation exists and achieving a one-for-one exchange would be a substantial task. From where we stand today, it would be a substantial task to get to a place where we could implement a one-for-one regime. While it is a very attractive approach, the practicality of doing it is challenging in the current environment.

I have just been reminded that the enforcement of the services directive will see a levelling of the playing pitch. Countries transpose obligations in different ways and if they act the maggot to some degree in terms of transposition, the enforcement of the directive will help catch up on protective measure requirements that are currently applied evenly in some sectors. This may help open up barriers and make trade easier.

**Deputy Anthony Lawlor:** I thank the Minister for coming in to brief us today. It is inter-

esting that one of the core parts of this is the public procurement package. The OPW is coming before the committee next week to discuss public procurement, particularly in view of the fact someone has been appointed to take overall responsibility for procurement at Government level.

My main concern with regard to public procurement is the decision that will be made in Europe on this and how that will be implemented here. We have a history of taking every word literally and of dotting all the i's and crossing all the t's, but we need more flexibility. The IPA published a paper recently on Kilkenny County Council, which took more into consideration than the price in procurement. It considered the social aspect, the local aspect and the service provided by the people who would get the contract. The Minister must be conscious when making points in regard to public procurement, that we should take into consideration the route we need to take in that regard. The Minister mentioned earlier that we are very good at acquiring funding for SMEs, but they seem to be excluded when it comes to public procurement. Another key issue concerns the definition of an SME. When we listen to the Minister of State, Deputy Brian Hayes, he seems to talk about an SME as a company with 50 or more employees. However, the majority of us would see an SME as a company with approximately ten employees.

I have a question with regard to Horizon 2020 and how the budget for that impacts on other budgets. I refer specifically to a meeting held last week with a number of MEPs on the issue of the budget available for innovation and research and the agricultural budget and of how these could be better linked so that we do not get a serious deterioration in the agricultural budget in the multiannual framework. Someone mentioned earlier that agriculture has gone from being mainly concentrated on agriculture to being a food industry. This should be borne in mind in the negotiations on the multiannual framework budget. Horizon 2020 should link into the agriculture sector.

**Deputy Richard Bruton:** To be fair, these public procurement packages are to do with what Deputy Lawlor has spoken about. They are there to give contracting authorities more choice over procurement procedures, provided they are open to applications from anyone. Obviously, an effort is being made to encourage the use of electronic procurement, which makes it easier to procure within a member state and across member states. Flexibility is being provided to take into account lifecycle costs, the requirement that works, supplies or services bear specific labels or environmental, social or other characteristics, provided they also accept equivalent labels.

The EU requirement is that there will be a level playing pitch for whoever is pitching for the business. At the same time, it recognises that SMEs need to be given access, so it also includes provisions to encourage authorities to divide larger contracts into lots and the removal of unjustified barriers to SME participation and the removal of turnover requirements that are set too high. Like us and member states, the Commission is anxious that smaller companies get a better chance to make their pitch. However, the Commission obviously does not support something that would insulate Kildare, say, from competition from somewhere else in Europe.

**Deputy Anthony Lawlor:** I understand that but some contracts are not so open. For example, from start of business up to 12 o'clock today, there were 13 procurement contracts up for tender by e-tender today. The bulk of international companies would not be interested in those contracts because they are too small. Most of us would like to see more small and medium-sized enterprises being able to access them. Meeting the turnover requirement is a huge issue for them. Many small and medium-sized enterprises are prevented from entering into the e-tender process because the turnover requirement figure set out in the documentation associated with the process is way too high. I hope the European Union decides on something



that would encourage more small and medium-sized enterprises to participate in the e-tender process. That would be one of the few cases in which I would encourage the Government to take the European Union literally.

**Deputy Richard Bruton:** The European Union is facilitating it. It is also encouraging innovative procurement, something for which we are pressing very hard within our own system. The United Kingdom and the United States are more likely than we are to tender to solve a problem before the procurement stage is reached. That approach involves trying to find a company to solve a problem. That company submits a bid to design a solution to the problem and it is the solution that goes out to tender. That innovative procurement route gives the company in question a great chance to shape the solution and secure the business. It also allows innovative companies to attract reference sales into an Irish system that can then use them to open doors elsewhere. To be fair, the European Commission is pushing this. The European Union is not holding us back as we try to open better access routes to small and medium-sized enterprises. Obviously, a balance must be struck. Some would like every little bundle to be divided out. If that leads to inefficient or costly procurement, taxpayers will have to sacrifice the opportunity to improve the health service in order to support scattered tendering. The Department of Public Expenditure and Reform constantly has to strike a balance in bundling to the extent that good value is achieved and bundling to the degree that many small and medium-sized enterprises are removed from the process. To be fair, the National Procurement Service and Enterprise Ireland are working together to help businesses to form consortiums to access tenders designed to give good value for money, or to do so on their own. We need to ensure our small and medium-sized enterprises are in a position to bid for the business in a way that does not create extra costs for the taxpayer. That is perfectly possible. There are many innovative Irish businesses-----

**Deputy Anthony Lawlor:** The more businesses we put together to make the bundle bigger, the more attractive it looks to overseas bidders. If we kept them smaller, we would be able to keep them Irish-based.

**Deputy Richard Bruton:** There is a balance to be struck.

**Deputy Peadar Tóibín:** Ireland is an outlier with regard to the level of extra-state tendering. We win prizes for the level of tenders won in other European countries, compared to France and Germany in which a very small amount are won outside the state. We should not be happy to win that type of prize. We should be working really hard on the issue. It does not have to be a question of trying to protect Kildare. We have to protect every local community in the European Union by allowing for the fracturing of tender projects. It should never become inefficient or costly. Nobody is suggesting we want to create inefficiency or costliness. Where it is practical, it should always be done rigidly.

**Deputy Richard Bruton:** That is what the Commission's directives are seeking to provide for and that is what we are seeking to provide for in our discussions with the National Procurement Service. The role of Enterprise Ireland is to make sure we strike that balance. We are trying to encourage the breaking down of these prerequisites before tendering takes place. We have been trying to work with various Departments to ensure this happens. The committee could do a useful service in bringing in the various bodies to cross-examine them on their performance with regard to bundling. That would put a little extra pressure on them. Obviously, we need to be cost-effective in procurement. We also need to give businesses a chance to develop. I welcome the committee's support for this and it is something our officials are pushing. They are working with their counterparts in other Departments to try to facilitate and roll out innovative procurement and lower thresholds. We have a group working with a number of

very big procurers. It is introducing companies to them and trying to get them into the supply chain. A great deal of interesting work is being done in this area. The data sometime reflect the fact that certain things are not produced in Ireland. It would be good to get data that are a little more granular. In time, we would like quotas for SME procurement to become a feature of the system. At present, the data are not sufficiently sophisticated to allow realistic quotas to be set. We should at least start to benchmark where we are in terms of SME procurement. I welcome the committee's work in that regard. There are opportunities in this area and, to be fair, the European Union is not standing in our way. The question of the division of the multi-annual financial framework is well beyond my pay grade.

**Deputy Anthony Lawlor:** The Minister is being very humble.

**Deputy Peadar Tóibín:** There is very little that is beyond the Minister's pay grade.

**Deputy Richard Bruton:** This has been thrashed out at European level and there have been big cuts. Horizon 2020 is in the category or heading of 1A, which includes a certain bundle. President Van Rompuy has been proposing certain changes in order to secure compromise deals. That is the level at which potential trade-offs between the Common Agricultural Policy and Horizon 2020 are occurring. I do not think there is an initiative we could take at my Council level to influence the division of money between Horizon 2020 and the Common Agricultural Policy. These decisions will be made by the European Council. We will then have to work within the allocation. I do not think it is open to our Council to shape that debate. Obviously, there are competing areas looking for the same euro. That is the difficulty.

**Deputy Áine Collins:** I welcome the Minister and his officials. I would like to comment briefly on procurement, an issue which I know has been discussed. There is room for improvement in opening it up. There is a great deal of opportunities for innovation with regard to the bundling of businesses to make it easier for people to come together. If quality trained mentors were travelling around the country to help small businesses, that would also add to it. I welcome the very good idea in relation to professional qualifications. I also welcome what is being done in respect of patenting which has been a big problem for many small and medium-sized enterprises for many years. They have found it hard to keep their patents up to date, particularly in the light of the costs involved. I am really interested in how Ireland can benefit from stronger European industry in terms of growth and economic recovery in the area of manufacturing. Obviously, we want to move in that direction. Is there a stimulus attached to this?

**Deputy Richard Bruton:** There is, through Horizon 2020 and the various existing instruments. No new instrument is being proposed.

**Deputy Áine Collins:** How are we placed in that regard?

**Deputy Richard Bruton:** I share the Deputy's view that mentoring could play a role in procurement. To be fair, InterTradeIreland has run an innovative programme in this regard. One of its most popular programmes helps companies to prepare for procurement, understand how to gain access and go after that business. I do not have data to indicate the success of the programme, but I know there has been a high rate of participation. InterTradeIreland is turning people away. This North-South programme is not confined to Border regions; it has been run in various counties.

As the Deputy probably knows, we have established our own forum on manufacturing to look at areas where we can improve our offerings and approach. It is due to report before the

end of the year. If we are to make manufacturing smarter, we have to have better processes, innovation and skills. It is the same agenda that the European Union is developing. In terms of implementing it, obviously the European Union hopes these industrial policies will set flagship directions which will influence Horizon 2020 and the European Social Fund in terms of training. It is hoped they will shape the way European Union money is used in member states. We would see the same. There is an opportunity with the establishment of SOLAS, which is the new training body that is taking responsibility both for PLC-type training in the VECs and for traditional FÁS training, to take a more strategic look at sectoral needs. Manufacturing is one sector where there are opportunities and which has started to grow again. To take one example, I was told at the plastic manufacturers association conference of skill shortages in that area. This is not a high-tech issue and is an area where we should be capable of matching provision within our system of ITs and VECs to the need. We need to get more of that type of matching into our training provision.

This is the sort of thing Commissioner Tajani's efforts are designed to achieve, namely, to identify the headline directions where there are opportunities and try to get member states designing programmes to do that successfully.

Clearly, Germany has a big edge with its very long tradition of apprenticeships, traineeships and companies making spaces available for that sort of renewal of skills. We need a catch-up in that area. I expect it will be these sorts of areas, for example, the application of technology, the upgrading of skills and the improving of process, that will come out of our own exercise. It is very similar at the European level and we have to try to match the policies to that.

Horizon 2020 focuses specifically on the commercialisation of business so one of its three themes is excellence in research but also the whole of commercialisation and spin-out. The KETs, or key enabling technologies, are reflected in Horizon 2020. For example, Crann in Trinity College, which deals with nanotechnology, would be getting FP-7 money for what are exciting technologies that are changing products in very simple ways. There is a lot of spin-out.

The one programme aimed at smaller business is the COSME programme, which is a specific instrument, although, as I say, it is aimed more at small business than at manufacturing. It will be examining areas such as financial instruments but the budget is tiny - just €2.5 billion - which must be divided among 27 member states and then divided by five over the five years, so one can see how small its impact will be in any individual country.

**Chairman:** With regard to COSME, a request was made for more funding. Is there any update on that or is it still part of the overall negotiations on the EU budget?

The Minister referred to the progress InterTradeIreland has made. The committee has met InterTradeIreland in regard to two reports it is undertaking and it appears to have had very positive results. While the Minister does not have the figures with him, InterTradeIreland will be coming before us again and it is good the Minister recognises the work it is doing.

With regard to the public procurement package proposals, many amendments have been put forward by the European Parliament. Does the Minister have any concerns in this regard and is there any significant theme or agenda coming through? Will the thresholds be considered? At present, the threshold above which a contract has to be advertised is quite low at €200,000. Is this an issue on which we can have an influence?

The Minister referred to a range of issues that will be part of the procurement process, and

we will have the OPW before the committee next week. In our report on youth unemployment, which will be provided to the Minister, there will be much reference to social contracts and putting social contract clauses into various public procurement procedures. Is this something that can be discussed and is it something we would accept?

Is there a timescale for the patent changes? While we all agree this is very positive, will it happen soon given it is quite costly? Is the Minister happy the supports are in place through our enterprise boards and Enterprise Ireland for those who want to patent an idea? To be fair, I have found the relevant division in Enterprise Ireland responds quite quickly but it is the question of funding thereafter that interests me. Will the Minister outline his thoughts in this regard?

The Minister's briefing document gives Ireland's position on the objective of the modernisation of state aid rules. He referred to the good aid and bad aid concept, with good aid being aid that encourages the economy whereas bad aid distorts competition. Will the Minister elaborate on this?

What will be the impact on Horizon 2020 given the lack of agreement on the EU budget? While I understand that agreement cannot be got over the line just yet, I want to know whether this will impact on Horizon 2020. I presume the Minister's point was that the agri-sector, with a bit of innovation, could tap into the Horizon 2020 money.

The European entrepreneurship action plan was due to be published in November. Do we know what the delay is in that regard?

**Deputy Richard Bruton:** We have no information that the €2.5 billion is being reduced in the MFF envelope but the indications are that, to date, Horizon 2020 has lost €5 billion, so it would come down from €80 billion to €75 billion.

InterTradeIreland has an exciting new board, with a former head of the IDA as chairman. It asserts benefit-to-cost ratios of 16:1 in its work, so that is an indication of the quality of what it is delivering.

I will answer the questions I can and will then come back to the ones I cannot. On the patent timescale, it is to be signed in February and is to be effective by April 2014, so we should be able to sign it here in our presence but it will take longer to be fully up and running, and that date may be optimistic, I am told.

Ireland has the most prevalent seed fund in any European country in terms of state provision of seed funding through the likes of HPSUs and the Competitive Start Funds, so there is good support compared to other countries. Obviously, there is also private venture capital. Competitive Start Funds and HPSUs are both competitive in that one bids for them and the best get through. We also have the New Frontiers programme whereby, even pre-patent, the best entrepreneurs get a chance to get grilled. We have a pretty good design of a supply for people who would set up new businesses based on innovation. Nonetheless, this can always be improved and we are always looking to improve.

This year we introduced a Competitive Start Fund exclusively for women and got a great response, so we will go back to that. We spent €750,000 this year but, clearly, that toe in the water has been very successful. We can get more women into entrepreneurship, where they are vastly under-represented.

**Deputy Áine Collins:** There is a competitive fund for women entrepreneurs which is clos-

ing tomorrow.

**Deputy Richard Bruton:** That is correct. Agriculture is included in Horizon 2020 so there are opportunities there. With regard to the entrepreneurship plan, the Commission has to publish that by year end.

**Chairman:** I understand it will be late. Is there a reason for that?

**Deputy Richard Bruton:** I understand it is on schedule. To come back to the question on procurement, I do not have details of the European Parliament's amendments.

**Mr. Philip Kelly:** There are some 2,000 amendments but there is multiple overlap within them.

**Chairman:** I asked what was the thrust of the amendments.

**Deputy Richard Bruton:** I would say they are similar to the views of the committee, namely, opening up opportunities for small business.

**Mr. Philip Kelly:** Reciprocity might be an issue.

**Deputy Richard Bruton:** Yes. In other words, that one would not open up markets in countries with which one does not have a reciprocal arrangement. This would relate more to third countries bidding for EU procurement contracts, from which countries without free trade agreements with Europe are excluded. Some countries would like to have that type of *quid pro quo* and others would rather not impose these types of constraints. It is a much debated issue.

I will have to come back to the committee on whether the threshold for advertising of a contract is included. I do not think there are changes at that level of detail.

**Mr. Philip Kelly:** The directive might limit it to no more than three times turnover. In other words, one cannot have a threshold that is more than three times the value of the contract.

**Deputy Richard Bruton:** I think the question was about the threshold for advertising contracts.

**Chairman:** Yes.

**Deputy Richard Bruton:** I will have to come back to the committee on that issue. I will also have to come back to the committee on the question of the exact scope of social obligations allowable in a contract. This relates to objective things such as unemployment and cannot be designed to favour a high-cost provider over a low-cost provider. This matter comes under the responsibility of the Department of Public Expenditure and Reform. I will try to get information on it for the committee. I know that the Minister of State, Deputy Brian Hayes, is doing work in this area.

I will ask Mr. Hennessy to respond to the question on State aid rules.

**Mr. Pdraig Hennessy:** Good aid is aid that facilitates the growth of industries and bad aid impedes competition in terms of it giving one person an advantage over another. The view of the directorate general for competition is clear, namely, it is in favour of more competition. In most cases, aid, unless it can be clearly shown not to destroy competition or interfere with the market, is not regarded as good aid. That is how the directorate looks at it. It is deeply philosophical on this issue.

**Deputy Richard Bruton:** It allows aid for research and development and for training but does not like capital grants and so on. The DG puts *de minimis* and other requirements on items like that. The directorate proposes to increase the *de minimis* provision from €200,000 to €500,000. This would allow for more generous SME-type initiatives. The microfinance fund and loan guarantee comes under the *de minimis* provision because of the level of aid provided. The proposed change will allow for more generous thresholds.

**Chairman:** I thank the Minister and his officials for briefing the committee. The committee considers this engagement on EU matters an important feature of its scrutiny of European issues. I thank the Minister and his staff for all of the information provided by them throughout the year on EU proposals coming before the committee for scrutiny, without which the committee could not carry this important aspect of its work.

I also wish the Minister and his staff every success over the next six months. They have a busy year ahead. As such, they may not be appearing before us much in the six months ahead. We appreciate their briefings. Many members have a particular interest in EU developments.

The joint committee adjourned at 3.15 p.m. until 1.30 p.m. on Tuesday, 11 December 2012.

