

# DÁIL ÉIREANN

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

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

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*Déardaoin, 15 Nollaig 2016*

*Thursday, 15 December 2016*

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The Joint Committee met at 2 p.m.

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MEMBERS PRESENT:

Deputy Niall Collins,	Senator Paul Gavan,
Deputy Tom Neville,	Senator James Reilly.
Deputy Maurice Quinlivan,	
Deputy Noel Rock,	

DEPUTY MARY BUTLER IN THE CHAIR.

*The joint committee met in private session until 2.25 p.m.*

### **Irish Auditing and Accounting Supervisory Authority: Chairperson Designate**

**Chairman:** I remind members, visitors and those in the Gallery to ensure their mobile phones are switched off or in airplane mode for the duration of this meeting as they interfere with the broadcasting equipment, even when on silent mode. I welcome Mr. Martin Sisk, chairperson designate of the Irish Auditing and Accounting Supervisory Authority.

By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. If they are directed by the committee to cease giving evidence in relation to a particular matter and they continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that where possible they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable. Members are reminded of the long-standing parliamentary practice to the effect that members should not comment on, criticise or make charges against a person outside the House or an official either by name or in such a way as to make him or her identifiable.

I invite Mr. Sisk to make his opening remarks.

**Mr. Martin Sisk:** I am very pleased to appear before the committee to discuss my proposed appointment as chairperson of the board of the Irish Auditing and Accounting Supervisory Authority, IAASA, by the Minister for Jobs, Enterprise and Innovation, Deputy Mary Mitchell O'Connor. I believe that my substantial range of regulatory, legal, financial, insurance and general business experience equips me for the challenge of acting as chairperson of IAASA. The committee will see from my curriculum vitae that my regulatory experience extends over a period of 25 years both as Registrar of Friendly Societies for 18 and a half years and as a senior official in the Central Bank of Ireland for more than seven years. These positions involved the regulation of credit unions, co-operatives, friendly societies, trade unions and building societies. I was the last registrar of building societies. Those positions also involved consumer protection enforcement as well as anti-money laundering, terrorist finance and financial sanctions enforcement. I attended the international meetings of the financial action task force, FATF, in that regard on behalf of the Central Bank. My past experience as a board member of various entities and, indeed, my current experience as a board member will be invaluable to me in chairing IAASA.

I refer in particular to my role as chairman of VHI Healthcare for a period of almost three years. I served as chairman at a critical juncture in VHI Healthcare's history. The company was obliged as a result of a judgment of the Court of Justice of the European Union to apply to the Central Bank for authorisation to act as a fully regulated insurance company. To do so, VHI Healthcare would have required a capital injection from the Government of approximately €300 million as well as other significant changes, both structural and otherwise. Under my chairmanship, a radical five-year strategic plan was developed and implemented, significant cost savings were achieved both internally and externally and successful reinsurance arrangements were entered into with the international reinsurance company, Berkshire Hathaway. The net result of these and other measures was that VHI Healthcare managed to generate the neces-

sary capital required, without Government assistance, and after a complex process, authorisation by the Central Bank was achieved.

I believe that the experience I have demonstrated, more details of which are to be found in my curriculum vitae, makes me a suitable and capable person to act as chairman of the Irish Auditing and Accounting Supervisory Authority, IAASA. The functions of IAASA, as an independent body responsible for ensuring the quality of auditing of public interest entities, supervising the regulatory functions of the prescribed accountancy bodies, and examining and enforcing listed entities' periodic financial reporting, are important in assuring the citizens of this country that auditing and accounting continue to be of the highest standards.

I have already assured the Minister, and I wish to assure the Chairman and her fellow committee members, that this position will receive committed and intense engagement on my part. I would be very happy to answer any questions or address any issues that the Chairman or any of the members of the committee wish to raise.

**Chairman:** I thank Mr. Sisk for his contribution. I will now take any questions members may have. I would point out that this is not an interview process with the committee determining the suitability, or otherwise, of the nominated chairperson. It is an opportunity for the committee to engage in public session with the person involved.

**Senator Paul Gavan:** I thank Mr. Sisk for his presentation. I would just like to know why he would like the job because he has a fantastic résumé and terrific experience. What sparked his interest in this particular role?

**Mr. Martin Sisk:** In light of the financial collapse we have had, this is an area that has come under scrutiny. Clearly, IAASA, since it was formed, has been doing a very good job from what I can see. It is an area of interest and concern and it is important that very high standards are maintained in the auditing and accounting profession. It is also the case that there are very significant European elements to auditing and accounting these days and that is also a major part of IAASA's work. That is what has driven me to have an interest in chairing IAASA. Sadly, the previous chairman died prematurely in May, so IAASA has not had a chairman since May. That is really my motivation.

There is also another issue, and time will tell us about this one. The advent of the Brexit situation may have implications for the auditing and accounting area in the context of Irish-British relations. As the Senator may be aware, there is a very strong linkage currently between the Financial Reporting Council, which is based in the UK, and the Irish auditing of various professions here, whether it be chartered accountants, certificated accountants or whatever. I will not know until, hopefully, I step into the previous chairman's shoes what the full implications of that will be, but it is an area of concern as to what will happen.

**Senator Paul Gavan:** I thank Mr. Sisk for that.

**Deputy Niall Collins:** I thank Mr. Sisk for his statement. What would his work programme be? Would he make any radical change in the organisation? Has he any priorities that he would like to outline to us? How does he intend to approach the role?

**Mr. Martin Sisk:** The first point I would make is that I have not stepped inside the door of IAASA yet because the procedures laid down require me to appear before this committee before I can do that. I will not make any premature judgments about what I might want to do because I have yet to meet the board for the first time. I have to meet the new chief executive,

who was only recently appointed, and the staff and assess exactly where they are at currently. I am relying on the information I have from the annual report and all other related documents.

To return to the point the Deputy raised, I would like to review the existing work programme. There is an obligation on IAASA to produce a three-year work programme, which is submitted to the Minister. As the new incoming chairman, I would like to review the existing work programme to see if there are any new developments that need to be taken into account in that respect. The other element is to start the process of work involved in producing the next work programme. As I have said, a number of EU issues combined with, possibly, Brexit related issues are ones that I would like to have examined urgently in terms of difficulties that might arise very quickly.

**Deputy Niall Collins:** Will Mr. Sisk give his view, if it is in order for him to do so and I am sure it is, on the conflicts of interests, whether real or perceived, among firms in the accountancy industry where they provide a regulatory audit service to client firms and perhaps taxation consultancy advice and also provide and sell other services to the same client firms? The accountancy firms, large and small, will say there is no conflict of interest, that there is a Chinese wall, and that it is regulated, but others take a different view in that if one is the auditor of an organisation, one should not be involved in supplying it other services, including consultancy and other related services. What is Mr. Sisk's view on that?

**Mr. Martin Sisk:** It is an interesting subject, to say the least, and in light of the financial collapse, it is even more interesting in a way. Statistically, there are approximately 35,000 members of prescribed accountancy bodies in this country. That is a great number of people working in the economy in that sense of the word, whether they are providing, as the Deputy said, business services or taxation services before we even get near the auditing side of things. They are providing an invaluable service to their local communities, local small businesses and so on. There are a vital cog in the economy. Then there are 3,500 accountants who are much more tied into the auditing side of things and 1,500 firms that are registered as statutory auditors.

As a result of EU directives that have come into play recently from June 2016, and I will be very interested to see what progress has been made on this issue, IAASA now has an obligation and the responsibility of inspecting, investigating and directly overseeing the performance of the statutory auditors, the big firms. Up to now it did not have that responsibility. There are eight big firms that carry out the audits of entities that sell and trade in marketable securities on the open market. I am referring to all the credit institutions, in effect, all the banks, and all the insurance undertakings, so we are talking about all the insurance companies. IAASA, for the first time, is now the direct regulator of that issue. Under those EU regulations, there are rules specifying that these firms can only audit, say, a bank for a limited period of time. The maximum period they can audit a bank now is ten years. They can possibly apply for an extension of another two years but that is it. A bank, insurance company or one of those big firms trading in securities has to change its auditors, effectively, after ten years. Up to now that rule did not exist. There were no specific rules like that.

Another other issue is the rotation of the individual partners within the audit firms. There are new rules about that as well which are much stricter. Up to now, those obligations were not there. I will be interested to see how that initial process has progressed. In addition, I will be anxious to see that it is enforced quite strongly and quite rigidly as we go forward.

The bigger question on the smaller firms is a difficult one. I agree there is a perception that

there are conflicts of interest, left, right and centre. I would be anxious, perhaps, in due course, subject to discussing this with the board and the staff in IAASA, to examine the possibility of widening that set of rules to come down the chain to the smaller firms. There are practical issues involved. In any rural town, there are only so many firms. Local communities, understandably, would be anxious to still use those local firms rather than having to off, 50, 60 or 100 miles away, to another firm. It is an ongoing dilemma.

**Deputy Niall Collins:** Mr. Sisk is aware of it.

**Mr. Martin Sisk:** Very much so.

**Senator James Reilly:** I thank Mr. Sisk for his presentation. Carrying on from what the previous speaker was referring to, there was considerable concern during the financial meltdown that many firms that had been audited and given clean bills of health were subsequently found to be anything but secure. Is it the purpose of this organisation, IAASA, that Mr. Sisk mentions to audit the auditors and conduct spot checks? What Mr. Sisk told us about the change in the law is interesting. It will give some succour to the public to have more faith that there is a watchdog overseeing all of this. Clearly, the regulations and practices in the past failed miserably to address this issue. Has Mr. Sisk any comment to make on that?

**Mr. Martin Sisk:** Under the structure of IAASA, there are the nine prescribed accountancy bodies. They conduct the general regulation of their individual professions. Six of those are described as recognised accountancy bodies and they also oversee the firms that carry out auditing. That is the way it has been for some time. The important change thanks to EU legislation - the EU aspect of this is important as we go forward - is that the eight big firms, which up to now were subject to simply regulation by their own bodies, from now on will be subject to direct regulation, inspection and investigation by IAASA. That is an important and significant development. That should give much more confidence to the Government, to the Oireachtas and to the public in general that those large firms are carrying out the job they are supposed to be doing. I hope that as time goes by, it will become more apparent that the work of IAASA will ensure that this is what will happen.

**Chairman:** I thank Mr. Sisk for coming here to engage with us. I welcome that some of his work programme will be along the lines of EU issues and Brexit. For the past three months, the committee has been dealing with Brexit issues. Today, we are meeting the Minister, Deputy Mitchell O'Connor. That will be our final discussion on Brexit for this year. We will produce a document at the end of January or the start of February, and Mr. Sisk will be more than welcome to see the work we have done during the past three months. We have engaged with quite a number of agencies and employee groups, employer groups and small business groups.

On behalf of myself and the committee, I wish Mr. Sisk every success in his role. We look forward to meeting him again in the future. I also want to wish Mr. Sisk all the best for Christmas and the new year.

**Mr. Martin Sisk:** I thank the Chairman. I wish all the members a happy Christmas and a good new year. I very much look forward to coming back to meet the committee again in due course to follow-up on some of the issues - particularly, I suspect, that relating to Brexit - we discussed today.

*Sitting suspended at 2.45 p.m. and resumed at 2.50 p.m.*

## **Economic Impact of Brexit: Discussion (Resumed)**

**Chairman:** I remind members, visitors and those in the Visitors Gallery to ensure their mobile phones are switched off or on airplane mode for the duration of this meeting as they interfere with the broadcasting equipment even when on silent mode.

The purpose of this meeting is to discuss the likely economic impact of Brexit with particular emphasis on jobs and enterprise and the steps being taken to mitigate these risks. I welcome the Minister for Jobs, Enterprise and Innovation, Deputy Mary Mitchell O'Connor, and her officials to the meeting to discuss the likely economic impact of Brexit.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the House, or an official by name or in such a way as to make him or her identifiable.

The Minister's speaking note has been circulated to the members. I now invite the Minister to make her presentation to the committee.

**Minister for Jobs, Enterprise and Innovation (Deputy Mary Mitchell O'Connor):** Unfortunately the Ministers of State, Deputy Pat Breen and Deputy John Halligan, cannot be here this afternoon due to official commitments and they asked me to pass on their apologies to the committee for their absence. Depending on the committee's work programme, it might like to consider inviting them to a future meeting to discuss the impacts of Brexit on areas within their remit. They would both be more than happy to do this.

The committee has already heard views on Brexit from a wide range of agencies and representative bodies over the last number of weeks and I thank it for its invitation to attend today to be involved in its deliberations. Undoubtedly, our economic and cultural ties with the UK mean that its decision to leave the EU has significant and direct consequences for us. The committee will be aware there is a whole-of-Government approach in place focusing on Brexit and my Department and its agencies are to the forefront of this effort.

The UK's decision to leave the EU will impact on all policy fields of my Department and agencies. Over the past number of months, I have tasked my Department officials with making Brexit their number one priority. In this context the Department has conducted a risk assessment of the potential impacts of Brexit across policy areas, which has fed into the national level assessment led by the Department of the Taoiseach. We have since been working with agencies to mitigate risks and maximise opportunities. To support a co-ordinated and coherent approach to Brexit across the Department and the enterprise agencies, I have also established a dedicated Brexit unit and a senior officials group with representatives from across all divisions of the Department. I established a co-ordination group on Brexit to oversee the management of our response.

The co-ordination group, which I chair, consists of the CEOs of IDA Ireland and Enterprise Ireland and relevant enterprise, single market and trade officials from the Department. I have also taken every opportunity to hear the view of companies operating at the coalface. I have met with a wide range of representative organisations, including IBEC, ICTU, ISME, the Small Firms Association, the Irish Exporters Association, the American Chamber of Commerce, the Dublin Chamber of Commerce and the IFA. The committee has heard from many of these groups. I have also had discussions about the impacts of Brexit at the retail consultation forum, which I chair, and it is a regular item on the agenda of the implementation committees for the

regional action plans for jobs. I welcome the fact that many representative organisations have already published papers identifying challenges for their sectors. These represent valuable inputs to Government as we develop policy responses. In addition, my Department is planning a stakeholder engagement event to hear the views of all stakeholders on 30 January. I extend an invitation to this event to all the members of the committee. I have met with my EU counterparts in Brussels and my UK counterparts in London to convey the unique impact of Brexit on Ireland in advance of the commencement of the detailed exit negotiations.

I will turn now to our enterprises. Brexit presents a range of challenges but also opportunities for our companies. Some sectors will be more impacted than others, based on their dependence on the UK market and their exposure to currency fluctuations. Ireland is and will continue to be a trading nation. We are fully committed to continuing our membership of the EU and in that context we will have access to the single market of 27 countries with 450 million customers. The UK will also continue to be an important trading partner for Ireland. I want to reassure companies that we will work to preserve Ireland's fullest market access to the UK in the framework of any future deal between the EU and the UK. Ireland already enjoys trade benefits from some 50 EU preferential trade, partnership or association agreements. We are working with the EU on the development of more ambitious and comprehensive bilateral trade agreements with third countries for the future. We are refining our analysis of risks and opportunities, examining possible models for future UK relationships with the EU, from single market membership to full exit of the customs union. This is challenging as it is still not known what relationship the UK will want to have.

My Department and the enterprise agencies are fully committed to supporting all our stakeholders in this period of uncertainty. Enterprise Ireland and the local enterprise offices are working with companies to make sure that they are better prepared to respond to the challenges that Brexit will bring, helping them to drive down costs, diversify into new markets and innovate in the way they do business. Enterprise Ireland has been systematically engaging with its 1,500 clients, employing 100,000 full-time employees, that export to the UK. Currency fluctuations are a particular issue of concern. In order for me, as Minister, to respond to this I need to fully understand what businesses need. To find out what they need, I have put in place a structured dialogue with companies of different sizes, across different sectors and regions. When fully analysed, the outputs from this work will give me a clear indication of what SMEs need to help them address this challenge. That will form the evidence base that I need in order to bring any proposals forward.

In our efforts to address the challenges posed by Brexit, we should not overlook whatever opportunities may emerge for Ireland. One such opportunity is in attracting increased foreign direct investment. I have directed IDA Ireland to explore the potential for winning more FDI as a result of Brexit and it is already working hard with this goal in mind. This will not be easy. The global FDI market is extremely competitive and we must fight hard to secure each and every new investment into Ireland. Other countries will also be doing their best to win new mobile investments. Fortunately, we can continue to rely on the selling points that make investing in Ireland attractive in the first place, including our continued membership of the EU, our talent, the ease of doing business and our tax offering. I have also secured additional capital and current funding for my Department in 2017 to help deal with the challenges and opportunities posed by Brexit. This will help the agencies to support more job creation and innovation.

I will now turn to the implications of Brexit for relationships between North and South. Our first priority is to ensure that the peace process is protected and safeguarded. I have a par-

ticular focus on the trade implications for the Border region. We will do our utmost to protect the interests of those companies and businesses that engage in cross-Border trade and InterTradeIreland will have an important role to play in that regard. On foot of recent engagement with InterTradeIreland, we have agreed to fund a special study that it is commissioning from the ESRI on the cross-Border implications for SMEs, North and South. I have also allocated some additional funding for 2017 to support more intensive engagement by InterTradeIreland with companies. In the research and innovation area, members will be aware that the EU's Horizon 2020 programme is an important source of funding for these activities in Ireland. Horizon 2020 also provides a mechanism for researchers and companies in Ireland to network and collaborate with the best researchers and leading companies across Europe. While the UK is an important source of partners for Ireland in Horizon 2020 programmes, it is not the largest. We are well diversified in terms of international collaboration through Horizon 2020 and beyond and are already working hard to strengthen our relationships with other European countries for future collaboration.

I am aware that competitiveness concerns related to Brexit also arise in relation to employment and social rights policy, including rights for workers and the national minimum wage. The terms of any future EU-UK trading relationship will dictate with which provisions of EU law the UK will continue to comply. This has relevance in a number of policy areas across my Department, including employment rights, company law, intellectual property, standards and state aids. The issue of regulatory divergence will be one which we need to monitor closely. I conclude by noting that work in my Department and agencies will continue in terms of assessing the possible implications and impacts of Brexit. As I said at the beginning, Brexit will have a profound impact on all policy areas of my Department. However, my Department and its agencies are working hard to ensure the most advantageous outcome for Ireland and for the EU for the benefit of Irish enterprises, employees and consumers.

**Chairman:** I thank the Minister for her comprehensive report. I invite questions and ask members to group them.

**Deputy Tom Neville:** I thank the Minister for coming in today. I welcome the extra funding secured to address the risks and issues arising on foot of Brexit. Something that is topical and which I spotted under the opportunities part of the Minister's presentation relates to financial institutions, financial services and financial services relocation. I am very aware of the sensitivity around any organisations that may be looking to move but is there any further information the Minister can share with the committee on any proposals for moves, hopefully, to Dublin and Ireland more generally?

**Deputy Mary Mitchell O'Connor:** Financial services is an area where Ireland could see increased foreign direct investment on foot of Brexit. The reasons for that are well documented. Ireland is remaining as a member of the EU and the eurozone and our capital has become internationally recognised as the home of an array of international financial service providers. Ireland's proximity to the UK and the fact that we are an English-speaking common law jurisdiction are other factors that will make us attractive for new FDI. While the Government will do its best to capitalise on whatever new opportunities emerge in financial services, we must remember that there is stiff global competition in the area. We must be realistic about the scale of any new investment and we should not expect tens of thousands of jobs in the short term. It is clear, however, that there are opportunities in this sector. The IDA is already engaging with potential financial services investors and we hope that in time new investments will be secured for the country. As with all other European member states, we have regulatory standards that



we need all companies to comply with in this regard. This is managed by our Central Bank. I am confident that the Central Bank's workforce and contingency planning reflects the additional resources needed to deal with any increase in authorisation applications arising as a result of Brexit. When I was in China and Japan on a recent trade mission, I visited a number of banks which expressed interest in exploring relocation to Ireland.

**Deputy Tom Neville:** I have one follow-up question. I do not know if the Minister can share it with us, but is there any timeline in the pipeline in regard to any organisation that may be thinking of moving from another jurisdiction or is this still at an initial phase, in particular around Brexit?

**Deputy Mary Mitchell O'Connor:** I can tell the Deputy that the IDA has stated publicly that it has had site visits to Ireland and there is genuine interest. Obviously, on a confidential level, I cannot be specific and, to be honest, the IDA does not always tell me what the companies are. However, we are expecting early decisions in quarter 1 of 2017. I am optimistic that it will happen.

**Chairman:** I have a question for the Minister. There was a great deal of criticism during the year that the Taoiseach did not appoint a Minister for Brexit. I would be very interested to hear more about the dedicated Brexit unit the Minister indicated is in the Department and on the group of senior officials from all divisions in the Department. Would the Minister expand on that?

**Deputy Mary Mitchell O'Connor:** The Chairman asked about the appointment of a Minister for Brexit. Brexit touches on all Departments to a greater or lesser extent. As such, it requires a whole-of-Government response. My Department is a key player in the Government-wide committee structure working to prepare for negotiations on the UK exit from the EU with a focus on minimising risks and maximising opportunities. This centralised approach will ensure that there is a fully informed response to the Brexit challenge and a fully-prepared Irish position for the Brexit negotiations ahead whereby Ireland will seek to ensure the best possible outcomes. The Taoiseach's personal involvement, the establishment of a Cabinet committee on the UK exit and the mandate given by the Taoiseach to all Ministers regarding Brexit will ensure that there is a fully joined-up approach to identifying and negotiating Irish interests. The appointment of a dedicated Brexit Minister is a matter for the Taoiseach.

**Chairman:** I call Deputy Quinlivan and ask him to group his questions.

**Deputy Maurice Quinlivan:** I thank the Minister for her presentation. I welcome her comment that the peace process is the first priority. We all agree that when the referendum took place in England, it was not really discussed. English people were not aware of the implications it would have for themselves and for this State and as such it is very welcome that in this regard it the first priority of the Government.

The Minister might be aware that a document was produced on Monday from the House of Lords commission on Brexit. I do not know if the Minister has read it yet, but I encourage her to do so. It is probably one of the best documents on Brexit to have been released so far. Some of the comments I want to make relate to some of the suggestions in it. Similar topics have been raised here already. In a line that jumps out at me and which should be red-flagged by everyone, it warns that Ireland's unique vulnerability is not being taken seriously enough in Brussels or in London. That is a report from the House of Lords dealing with the impact of Brexit on Ireland alone. Last year and before the referendum was triggered in the UK, the Irish

Government warned of potential negative consequences for the country's economy and of the still-fragile place in which the peace process remained. We need to ensure that the peace process is protected. The House of Lords report also warned that the North must not become collateral damage as part of the Brexit process and expressed concern the implications, of which are all well aware, for the Irish economy. The report noted that Brexit will impact on all aspects of life and in particular on the substantial cross-Border trade in meat and dairy products.

The report also stated that Northern Ireland's economy was already characterised by the highest levels of deprivation, unemployment and poverty, a fact that we are all well aware of. It said that while the Republic might be well placed to respond to the economic challenges that Brexit will represent the North will not be in a similar position. One of the conclusions reached in the report reads: "The only way to retain the current open border in its entirety would be either for the UK to remain in the customs union, or for EU partners to agree to a bilateral UK-Irish agreement on trade and customs". Having said all of that I would like to know the following. What are we going to do to ensure that the North's special status is maintained? Let us remember that 56% of the people in the North voted to remain. We do not want them taken out of the European Union against their wishes. A retention of the North's status must be delivered in the upcoming negotiations between the Irish Government and whoever conducts the negotiations.

I wish to talk about infrastructure. Last Monday the House of Lords EU committee report was published. On page 12 it reads: "Dublin's limited infrastructure and shortage of housing might deter financial firms from relocating there". I have raised the issue of infrastructure on a number of occasions during Dáil Question Time. Infrastructure is of critical importance in Dublin and across the country. For example, data provided by the Department of Finance found that the food and beverage sector and the manufacturing sector are the most at risk from Brexit. As has been said here before, these sectors primarily consist of small Irish-owned SMEs that are significant regional employers but with comparatively low profit levels. The report continued: "The Irish Department of Finance has also noted that profit margins make it difficult for Irish SMEs to diversify away from the UK market, given the lower fixed costs associated with exporting to the UK ... due to a shared language, legal system and culture". Does the Minister accept that infrastructure is central in her efforts to minimise the impact of Brexit? If so, what does she intend to do about infrastructure in this country?

My next question is on trade with the EU. The report states: "A paper by Durham and Newcastle Universities also suggests that Brexit is likely to rebalance Ireland's trade relationships away from the UK and towards the remainder of the EU". Does the Minister have a contingency plan in the event that Brexit becomes a reality? Does she agree with the suggestion made in the report?

**Deputy Mary Mitchell O'Connor:** The Deputy mentioned the report published by the House of Lords. The Government contributed to the report and the Irish ambassador to the UK appeared before the committee. Also, senior officials contributed key reports and findings to the committee in order to make sure the House of Lords was aware of Ireland's unique position. It will be game on when Article 50 is triggered. It is important that the Irish State's relationship with the UK is understood. I have met Commissioners Bieńkowska and Malmström. During our visits and my work with the EU we ensured that they knew about the relationship. We always talked about how important Northern Ireland is and the peace process.

**Deputy Maurice Quinlivan:** The report highlighted Ireland's unique vulnerability but Brussels and London have not taken it seriously. Therefore, we need to focus on our vulner-

ability.

**Deputy Mary Mitchell O'Connor:** On 6 December Mr. Michel Barnier gave his first press conference since being appointed the EU Commission's chief Brexit negotiator. On that occasion he noted that we are in uncharted territory and explained his personal understanding of border issues on the island of Ireland. He also underlined his commitment to preserving the success of the Good Friday Agreement. I believe the European Commission understands our position. It is our job to ensure the Commission understands our unique relationship and that the status of Northern Ireland is protected in the negotiations.

The Deputy also inquired about infrastructure. The Commission did mention infrastructure. Ireland's selling points are that we speak English and we have a good track record, skills base and education system. Some deficits have been highlighted and one of them is housing. As the Deputy will know, the Minister for Housing, Planning, Community and Local Government is bringing a housing plan through the Houses and has called for funding to be made available in the budget. We must work our way through this matter. During the recession there was no investment in housing and now we must tackle the housing deficit.

I became Minister for Jobs, Enterprise and Innovation eight months ago. I recall that during the first few weeks of taking up office, which was when the UK referendum took place, I continually heard about a shortage of office space. More office space has come on the market and the problem is righting itself. We should promote the positive things, particularly when selling Ireland abroad. Broadband is an infrastructural deficit, especially in rural and regional Ireland. The Minister for Communications, Climate Action and Environment, Deputy Naughten, is working on the broadband service. I am sorry that we did not have adequate infrastructure in place when Ireland enjoyed better times but we are catching up. The development of ports and airports is an issue for the Minister for Transport, Tourism and Sport. I know that such development is on his agenda.

As a small open country we sell quite a lot to the UK every week. Recently Enterprise Ireland reported that ten years ago the Republic was 45% dependent on exports to the UK but that figure has now been reduced to 37%. We rely on external demand. Direct trade between Ireland and the UK is worth €1.2 billion and sustains 100,000 jobs here and almost the same amount of jobs in the UK. Exports to the UK represents 17% of our overall exports. We export 16.9% to the UK, over 7% to Belgium and Germany and 4.8% to France. The UK is a substantial market for our exports but we are diversifying. Enterprise Ireland is working on diversification and it is important that we increase our efforts.

Enterprise Ireland has held meetings with the 1,500 members of its client base that export into the UK. Enterprise Ireland has identified the companies that may be under pressure and one aspect of that conversation has been diversification. We will seek to preserve the fullest market access to the UK in the framework of a future trade agreement between the EU and the UK. Access by the UK to the Single Market must be based on acceptance of the four freedoms of goods, service, capital and people. That is the stated position of the other 27 EU countries.

**Chairman:** Does Deputy Neville wish to ask a supplementary question?

**Deputy Tom Neville:** Yes. I am cognisant that the meeting is in public session. I do not want to take away from the challenges that have been highlighted but every country has infrastructural challenges. I want this committee to convey the message that we are open for business and would welcome foreign direct investors. We must compete with other jurisdic-

tions for investors. We have seen this over the past six to eight months with the number of job announcements and new companies coming in. We have the wherewithal to accept these companies and bring them in. I want that message to go out collectively from the committee. It is in the country's best interest and in the best interests of all of us that if these companies are considering relocating, they relocate to Ireland.

**Chairman:** I fully agree with the Deputy. The message needs to go out that Ireland is open for business. We must try to encourage as much foreign direct investment into Ireland as we can, and I know that is what the Minister and her Department are trying to do.

**Deputy Mary Mitchell O'Connor:** That is absolutely correct. My Department has funded IDA Ireland by €250,000, which was announced for the first time in this committee, to make sure that it gets out there and can compete. Positive messages, our track record and our education and skills base were mentioned. Our educational institutions will respond to companies coming into Ireland. Limerick is a very good example of this. UL, LIT and Mary Immaculate College will respond in this regard. If a company comes to Ireland, these institutions will get behind it and ensure a skills base for its operations. This is happening around the country. If any representatives of the educational institutes are listening to the proceedings of this meeting, I say "well done" to them. We need them. When I was on the trade missions, two things kept coming up: one was innovation, and the other was skills and talent. It is very important we have that skills base for companies thinking of coming to Ireland.

Our other positive attributes include the fact we are English-speaking and our position at the absolute heart of Europe. We have 450 million customers and clients in Europe. We have a special relationship with the EU. We have our 12.5% tax rate. We also have very good enterprise agencies. IDA Ireland has been in business for approximately 60 years. It is able to get out there and compete with the very best. Deputy Neville is correct that there is tough competition out there. If people think these companies are coming here for old times' sake, they are mistaken. These are shrewd business people. They will make up their minds as to which country they wish to come into and where they want to locate in that country, while keeping the interests of their business in mind. These companies are very welcome in Ireland.

We have had advertising campaigns in the *Financial Times*, *The Economist*, *City A.M.* and other financial news outlets abroad. We also have a huge ad campaign at London City Airport. I do not know whether members follow the IDA Twitter and LinkedIn apps. Again, IDA's is an excellent, smart campaign. We are out there in America, on Bloomberg and CNBC and in *The Wall Street Journal*, doing our very best.

**Chairman:** I could not help but notice all the Limerick Deputies' heads nodding when the Minister mentioned all the positives in Limerick so I will put in a little word for the sunny south east and Dublin for the other two members present.

**Deputy Maurice Quinlivan:** Dublin.

**Chairman:** I mentioned Dublin.

**Deputy Mary Mitchell O'Connor:** Dublin is doing very well.

**Chairman:** Dublin is doing very well.

**Deputy Mary Mitchell O'Connor:** I attended the implementation of the working plan in Waterford and I pay tribute to the group down there. It is superb. It has very much got behind

the regional action plan for the south east. Overnight something like 10,000 construction jobs were lost in the south-east area. Its unemployment rate is still higher than the national average but it has bucked the trend and grown employment the most. It still has much to do but the arrow is on the way up. We will ask all the politicians in the area to get behind the implementation group because it is delivering.

**Chairman:** For some reason our unemployment rate in the south east is always stubbornly higher than the national average. It is currently about 2% above the national average. However, I wish to state for the record that much good work has been done in the past 12 months and we will welcome more good work.

**Deputy Niall Collins:** I thank the Minister and her team. As we know from the budget process, Enterprise Ireland and IDA Ireland have received an extra allocation for their staff headcount. However, when they appeared before us as part of our hearings they stated that between the two organisations they had not received a specific allocation. Could the Minister give us some exact detail on how this has been rolled out? Has it been signed off on yet? Are Enterprise Ireland and IDA Ireland in a position to start recruiting and confirming their numbers as we head into 2017?

**Deputy Mary Mitchell O'Connor:** As the Deputy knows, these bodies received €3 million extra in current funding. Some €1.7 million will be distributed to Enterprise Ireland; €750,000 to IDA Ireland; €150,000 to Science Foundation Ireland; €150,000 to the Health and Safety Authority, which falls under the REACH programme, to which we are responding; and €250,000 to the Department for its new unit dedicated to Brexit. I will go through the jobs numbers because they are simple. Enterprise Ireland will be allocated 39 new posts, 17 of which will be in overseas offices and 22 of which will be Ireland-based. This will include seven posts to support internationalisation activities, ten to support competitiveness and sectoral growth, three to strengthen the LEOs' ability to respond locally to help micro-enterprises and two to drive and support innovation through the Horizon 2020 support network. SFI will use the additional Brexit current funding to assist it in developing Ireland as an attractive location for mobile, globally renowned UK-based researchers, which I know is very important for the committee and has come up on a number of occasions, and in strengthening Ireland's research funding collaborations with the UK and Northern Ireland. IDA Ireland, as I have told the committee, has received the additional €750,000 for pay resources. This will be used, but IDA has not yet finalised its plans. What I can tell the Deputy is that it will allocate resources across divisions, prioritised by need. Divisions identified as having an immediate post-Brexit requirement include financial services; strategic policy and planning; growth markets; business development and client networking; engineering; and property. I understand that recruitment of certain Brexit-related staff has already started.

**Deputy Niall Collins:** A number of the groups which appeared before us, such as the Small Firms Association, ICTU, IBEC and the Irish Small and Medium Enterprises Association, indicated that they expect in the first or second quarter of next year to see some businesses relocate to a sterling jurisdiction and cost base because their main business is exports into the UK. Does the Minister or her Department have any quantitative analysis on the likelihood of this?

**Deputy Mary Mitchell O'Connor:** We do not have quantitative analysis on that but we have spoken to the SFA, ISME and IBEC and have set up groups to make sure we find out that information, rather than not knowing exactly what is going on. We do know that there is pressure on agrifood, construction and timber exports into the UK, but the answer to the Deputy's question is that we do not know qualitatively exactly how people will respond. We are work-

ing our way through it. We have had group meetings in Dublin, Cork, Athlone and Monaghan. These businesses have confirmed that Brexit is severely impacting on them. Exchange rate fluctuations pose real challenges for low margin exporting sectors, such as the ones I mentioned. Given that Brexit is likely to represent a structural shift in the UK trading relations with partners, short, medium and long-term responses are needed. These include market diversification, cost reduction, adding value, innovation and price repositioning. We would be working with the companies through Enterprise Ireland and local enterprise offices, LEOs, for smaller businesses.

My Department and its agencies are putting in place measures to address these issues for client companies. Officials in the Department have been in contact with the European Commission regarding concerns about currency fluctuations. While sympathetic to Ireland's concerns, the Directorate General for Competition sees limited scope for a revised state aid framework being negotiated to address these issues. However, these discussions are by no means over, they are ongoing. As I have already said, in order for me as the Minister with responsibility for supporting businesses across the different sectors to develop initiatives to support businesses that are impacted by Brexit, I need to understand their needs. We are working our way through that.

**Deputy Niall Collins:** Should businesses decide to leave this jurisdiction and relocate, it will lead to a loss of jobs and that will impact on the economy. It is important that we should know - although I am not asking that companies be named - and that the Minister and her Department would know of these companies, so that every avenue is explored and no stone is left unturned to ensure they can remain, if at all possible. I would hate to see a scenario whereby an announcement is made that a significant number of small or medium enterprises will relocate as they did not receive sufficient support from Government or State agencies. I respect that the Minister cannot name them.

**Deputy Mary Mitchell O'Connor:** I would not give names. Enterprise Ireland has spoken to 1,500 companies and they have identified the 400 companies it may need to have discussions with. We will make sure that no stone remains unturned to ensure the companies stay in Ireland. Some companies may choose to locate part of their base outside Ireland. We do not know how many but I can assure the Deputy that Enterprise Ireland will work with them to retain as many jobs as possible here in Ireland.

We are not hearing the negatives that strongly on the ground. We must wait to hear the views of the British Prime Minister, Mrs. Theresa May, as well. There is so much uncertainty for everyone. The businesses watching also do not know what will happen and what kind of negotiation will take place between the UK and the EU. Let me assure everyone that Enterprise Ireland is working with the companies concerned.

**Deputy Niall Collins:** We have had much discussion on the potential for a hard Border *vis-à-vis* a soft Border and the challenges that would pose for the economy North and South. Has the Department for Jobs, Enterprise and Innovation or the Government considered the potential impact of Brexit on this country in terms of emigration? In many respects it is similar to the challenges that the French Government faced in Calais where it had to deal with the migration of significant numbers. We could face such a challenge as people try to migrate to the UK. We want a soft Border for many reasons, but has the potential of Ireland becoming a migration route to the UK been analysed by the team dealing with Brexit?

**Deputy Mary Mitchell O'Connor:** My Department is concentrating on trade, enterprise

and entrepreneurship and ensuring that our export companies are so minded. We are also working on foreign direct investment.

I am not sure if I understand the thrust of the question. Is the Deputy referring to migration from the UK?

**Deputy Niall Collins:** From north Africa. I have given the example of Calais, where people are trying to transit through to the UK. Will we potentially face a similar challenge? Will it be a challenge for our Government and the economy to cope with numbers of people seeking entry into the UK?

**Senator James Reilly:** Chairman, I think that is a question for another committee, the Joint Committee on Justice and Equality.

**Deputy Mary Mitchell O'Connor:** The meetings between the Irish and UK officials on the common travel area are led by the Department of Justice and Equality. It will be negotiated. My understanding is that when one is talking about migration, the issue is the first country they arrive in, that is the country that has to deal with it.

We need skills and we need to have people available to come to Ireland that have the skills we do not have. I do not see it as a problem. The Department of Justice and Equality is the lead Department on this.

**Deputy Niall Collins:** I was asking for a view.

**Chairman:** I thank the Deputy. In fairness, I know that Senator Reilly raised it as a point of order, but as Deputy Collins said, he was seeking the Minister's opinion. I think that is okay.

**Senator Paul Gavan:** I thank the Minister for her presentation. I acknowledge the very good work that the IDA has done in Limerick in particular in recent months. It is important to acknowledge that.

I want to follow up the point on the expected job losses. The Minister said there was no certainty and I accept that as well. I think there was a common theme across all of the people who presented that they were expecting difficulties in quarters 1 and 2. I ask in particular about the suggestion made by my colleague, Ms Patricia King, from the Irish Congress of Trade Unions to set up an early warning system, comprising trade unions, employers and State agencies. It strikes me as a very good idea and I wonder if it is one the Minister is willing to pursue at this point in time, given that quarters 1 and 2 are upon us. The ICTU made another suggestion in respect of a strategic investment bank to help assist with new jobs and new enterprises and I would like to hear the Minister's view on that.

As we are grouping questions, I might add a number of simple ones that relate to the resources of Enterprise Ireland. Since 2010, Enterprise Ireland will still be down 130 jobs from its peak in 2010, even with the 39 additional jobs that have been announced. That is a concern because as we all agree Enterprise Ireland will be a key player in the biggest challenge facing us for many decades. I know from personal contacts at a senior level in Enterprise Ireland that there is real concern in respect of knowledge and skills because of the exit programme in the past number of years and that is impacting on staff morale. The Minister has acknowledged in her opening statement that there is a huge job of work for Enterprise Ireland and yet the organisation is down by 140 posts, which is a significant number. Has the funding cap on InterTradeIreland been lifted? InterTradeIreland will be a key player and I would like to hear the

Minister's view on that

**Deputy Mary Mitchell O'Connor:** The funding cap on InterTradeIreland has been lifted very recently. It did take a while.

**Senator Paul Gavan:** That is welcome.

**Deputy Mary Mitchell O'Connor:** On an early warning system, we have an internal one in the Department, but I am open to suggestions.

The Senator asked about Enterprise Ireland's staffing numbers. In 2010, there were more employees than the current 659 employees. Enterprise Ireland has brought about a strong downsizing and reorganisation in recent years to support clients in meeting the challenges of new sectors, markets, technologies and ways of doing business. It reorganised itself around sectoral businesses. There are experts in those sectoral businesses throughout the country. For example, if a person in Ireland wanted to expand a medtech company, the medtech experts are available. In the past, it was sometimes more geographically led. As a result of the challenges associated with reducing staff levels to meet Government controls, Enterprise Ireland underwent a voluntary leaving programme in early 2015. This saw 51 staff members voluntarily exit the organisation. Enterprise Ireland was then permitted to recruit more than 20 new staff to bring much-needed new skills into the organisation. Those numbers do not include the 39 new sanctioned posts in Ireland and overseas that are to be filled as soon as possible to respond to the challenges of Brexit. Overall, Enterprise Ireland is well positioned to assist its client base and to undertake existing activities while also reacting to needs that arise as a result of a fast-changing business world, the challenges in responding to Brexit and other global economic uncertainties.

We are working with the Strategic Investment Bank to bring new products for SMEs to the market. I am satisfied that we have the appropriate finance options in place but we will continue to develop new sources and products for SMEs through ISIF.

**Chairman:** Are there any further questions?

**Senator James Reilly:** Yes. I welcome the Minister and thank her for her presentation. I will echo a few of the concerns that have been raised, particularly those around our collective responsibility to project the positive image of this country. That is not to say that we ignore the problems. This committee has been very good at highlighting and addressing the problems. The Minister has been very good at it as well but the overriding message has to be that we have the talent, the people and a young, well educated population that is full of energy and ambition and ready, willing and waiting to welcome new industries, whatever they might be. It is clear that there has to be opportunity as well as challenge. For those companies which have rightly been on a watch list in terms of possibly feeling they must have a foothold in the sterling area if they are to continue their businesses, we need to be taking the opportunity to invite new industries here. I know the Minister has been strong on this when on trade missions. I was struck by a conversation that I had with the Indian ambassador some years back. I do not know if he is still *in situ*. He may have been replaced by a successor. We have approximately 1,000 Indian people learning English in this country, but there are 100,000 in the UK. This presents a huge opportunity.

During our meeting on Brexit in Malahide, there was a presentation by Professor Brian MacCraith from Dublin City University. He spoke of the possibilities for education in the



country in terms of bringing jobs and students here and it being a hub of excellence. Ireland is now very much seen as a friendly, properly regulated place and a safe place to send one's children and to come to do business. As the Minister has pointed out, the referendum on marriage equality projected a powerful image of the country as a welcoming country. That is important because, as the Minister said, there are gaps in areas and we need to bring in outside expertise for those companies that want to set up here so that they can be as successful as they wish. Is there a group made up of officials in the Department of Jobs, Enterprise and Innovation and the Department of Education and Skills that is examining all these possibilities and how we can enhance job opportunities in our education sector, be it secondary, language or tertiary education?

**Deputy Mary Mitchell O'Connor:** We work closely with the Department of Education and Skills. As the Minister for Education and Skills, Deputy Richard Bruton, was Minister for Jobs, Enterprise and Innovation previously, he fully understands what is needed from trade, as well as what we need to get from his Department.

The Senator mentioned India. The Minister of State, Deputy Breen, was on a trade mission to India where he met representatives of 13 Irish companies from the aviation, financial services, pharmaceutical and health sectors. He visited Mumbai, Bangalore and New Delhi. I also addressed a chamber of commerce meeting. The Senator is right that we need to look for new trade opportunities and ensure that we diversify into markets that we have not really explored in the past because we relied on the UK so much. Languages are hugely important. As a country, we are lucky that we speak English. I spoke about permits, which is one of the reasons we look for that skills base. As a former school principal, I would love if our children were more proficient in different languages.

**Chairman:** I do not wish to interrupt, but a vote has been called in the Dáil. We can adjourn the meeting although I know we are close to the end of the meeting.

**Senator James Reilly:** I am happy with the Minister's response.

**Deputy Mary Mitchell O'Connor:** I will finish by saying that appointments will be made shortly to the National Skills Council by the Minister for Education and Skills to ensure that we have that skills base.

**Chairman:** We will conclude. I thank the Minister, who has always made herself available whenever we have requested her attendance.

**Deputy Mary Mitchell O'Connor:** Let me say that I find this committee and its members very helpful. We all want to do the right thing for Ireland, which is evident in the committee.

**Chairman:** I thank the Minister and her officials for appearing here today to engage with the committee. It has been an informative session. It is our last meeting relating to Brexit in 2016. We will produce a document at the end of January or February which we will present to the Minister.

That concludes the business on today's agenda. I wish everyone a happy, peaceful and restful Christmas and hope that we all come back refreshed in the new year.

The joint committee adjourned at 3.50 p.m. until 4 p.m. on Tuesday, 17 January 2017.