

# DÁIL ÉIREANN

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## AN CHOISTE COMHAIRLIÚCHÁN POIBLÍ AN TSEANAID

### SEANAD PUBLIC CONSULTATION COMMITTEE

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*Dé Máirt, 13 Samhain 2018*

*Tuesday, 13 November 2018*

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The Select Committee met at 2.30 p.m.

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#### MEMBERS PRESENT:

Senator Jerry Buttimer,	Senator Joan Freeman,
Senator Martin Conway,	
Senator Máire Devine,	Senator Pádraig Ó Céidigh.

In attendance: Senators Frances Black, Victor Boyhan, Rose Conway-Walsh, Gerard P. Craughwell, Paul Daly, Aidan Davitt, Frank Feighan, Kevin Humphreys, Terry Leyden, Michael McDowell, Kieran O'Donnell, Grace O'Sullivan, Ned O'Sullivan and James Reilly.

SENATOR PAUL COGHLAN IN THE CHAIR.

## Small and Medium-Sized Enterprises: Discussion

**Chairman:** I am pleased to open the public hearings of the Seanad Public Consultation Committee on small and medium-sized enterprises, SMEs, in Ireland. These meetings are the second part of a process which began in June with a public invitation to make written submissions to the committee. On behalf of the committee, I sincerely thank all those who sent in submissions on this topic. The committee hopes that, through this public consultation initiative, we can create an integrated national strategy proposal document supporting the fostering, growth and sustainability of indigenous SMEs in becoming a key foundation block for the long-term success of the economy. We hope to identify and evaluate the key challenges for SMEs, review the existing business environment in Ireland and research relevant successful SME national policies in other countries. These are some of the issues the committee hopes to tease out through this public consultation exercise. Following these hearings, a draft report will be prepared for the committee by our rapporteur, Senator Ó Céidigh. The committee will review the draft report and publish its final report as soon as possible.

Today's meeting will comprise three sessions. Session one, which will begin now, will concern the SME owner's perspective; session two, at 4.15 p.m., will address the national perspective; and session three, at 6 p.m., will be on the regional perspective. On behalf of the committee, I welcome the witnesses to the first session: Mr. David Walsh, group chief executive officer, CEO, of Netwatch; Ms Evelyn O'Toole, CEO of Complete Laboratory Solutions; Deputy Michael D'Arcy, the Minister of State at the Department of Finance and the Department of Public Expenditure and Reform with special responsibility for financial services and insurance, accompanied by Mr. Ian Kavanagh from the Department of Finance; and Mr. Dominic Doheny, president, and Mr. Tom Parlon, director general of the Construction Industry Federation, CIF. They are most welcome and we thank them for engaging with the committee in the consideration of this important topic.

Before we begin, I draw witnesses' attention to the fact that by virtue of section 17(2)(l) of the Defamation Act 2009, they are protected by absolute privilege in respect of their evidence to the committee. If, however, they are directed by the Chair to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to 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 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.

I also advise them that any opening statements made to the committee will be published on the committee website after this meeting. I invite Senator Ó Céidigh to make a few introductory remarks at the beginning. I will then invite each witness to make a short presentation. They may share time if they wish. They should indicate this to me when they are invited to speak. I ask that presenters keep their opening statements as brief as possible. When the presentations have finished, there will be time for some questions and comments from Senators and responses from the witnesses.

**Senator Pádraig Ó Céidigh:** Tá fáilte roimh an Aire Stáit ag an Teach inniu agus labhróidh mé i mBéarla anois. I thank the Chairman. The Minister of State is more than welcome. We had a conversation about this last week where he shared his commitment. He had other commitments today and he changed things around to facilitate us. I also thank the Leader of the House, Senator Buttimer, for his strong support. I also thank my colleagues on this committee

for their agreement and support with regard to the very important document and work we are undertaking. I thank Ms Bridget Doody and Ms Carol Judge from the Seanad Office because without them, we would not have even got to this stage. As far as I know, this is the first time that the Upper House has been set aside to focus on small and medium-sized enterprises, SMEs, in Ireland - where we are, the challenges we face and how we can improve the environment for SMEs in Ireland. Very often, the term we use in the Irish language is *ag snámh in aghaidh easa* - swimming against the tide. As someone who has set up in business, I know what swimming against the tide is like because that is what one is doing most of the time. What one really wants are calm waters. One is not looking for a big push but calm water. The purpose of this meeting, as the Chairman has noted, is to focus on the SME sector in Ireland. Over 1 million people are employed by SMEs. These women and men do not work 40 or even 80 hours per week. They work north of 100 hours per week to develop their passion. They would be much better off if they did not take these risks with themselves, their homes and their families. A manager of a bank in the UK once told me that almost every business person he had met had lost one or more of three things. They lost their home, their family or their wealth. Quite frankly, many of us, including me, have been very close to the edge more than once.

What we can do is help create the environment to facilitate people to take that leap, get more involved in enterprise and contribute to their community and society. The contribution they give to society is very much a passion for entrepreneurs and SMEs such as supporting local charities or GAA, rugby or soccer clubs. That is the integration with the community because they see they are part of a much bigger picture. The bigger picture with regard to the Upper and Lower Houses of the Oireachtas is that we need to create the environment to facilitate that greater contribution. This is an opportunity for us to do that and to create what I hope will be the basis of a White Paper we will share with Government and all politicians to help foster and develop that into a much more structured and focused strategy document. Right now, various people in organisations are focusing on their own particular area but this is the first time we are bringing the whole lot under one umbrella. I very much welcome and appreciate this. I thank my personal assistant, Ms Cáit Nic Amhlaoibh, and Dr. Majella Giblin for their help and support in making this happen. It would not have happened without them. I thank all those here today for their commitment.

**Chairman:** I call on our first witness, Mr. David Walsh, group chief executive officer, CEO, of Netwatch Ireland.

**Mr. David Walsh:** As the Chairman said, my name is David Walsh. I am the CEO and founder of a company called Netwatch Ireland that is based in Carlow. I am delighted and honoured to be here today. I am very happy to make a positive and meaningful contribution to helping the committee shape the future landscape of the environment in which SMEs in this country operate. I promise to be open and honest in my comments today. In that context, I must say that I do not believe the system is broken. I believe we have a very good system in Ireland but it needs to be tweaked to be relevant to today compared with some time in the past. My observations will be through the lens of an indigenous Irish company that is internationally focused. Other speakers are better equipped to address the challenges faced by SMEs that exercise their prerogative to remain on the island of Ireland, create jobs and do business in Ireland and in doing so, do a fantastic job in their local communities.

Over the next few minutes, I will provide a quick overview of Netwatch Ireland and how with the support of State agencies, particularly the local enterprise office, LEO, and Enterprise Ireland, we grew from being a small startup in Carlow to becoming a large global business. We

are now one of the largest employers in the south east of Ireland. Following that, I will reflect on my experience over the past 16 years. I will focus on three key areas that, if tweaked, would lead to more startups in this country and would enable and empower existing SMEs to deliver their full potential. These three areas relate to the journey we experienced from the very beginning to the middle to what happens at the end when an entrepreneur decides to retire. I will look at the financial supports for startups, the importance of innovation with regard to SMEs and how it should be supported. Finally, I will discuss the incentives that should be there to promote and drive entrepreneurship in this country.

Netwatch Ireland is a Carlow company. We are very proud of that fact and see it as part of our competitive advantage. We started Netwatch Ireland back in 2003. As our friends across the pond in the US would say, we have just completed 63 quarters and have grown in every single one of them despite challenges along the way. We now have 300,000 customers across four continents and employ 600 people across the globe, 200 of whom are in Ireland with the vast majority based in Carlow. I am proud of what we can give the people of Carlow. We give them the opportunity to live and work in their local community but our impact is far greater than just direct employment. Many local enterprises in Carlow are suppliers to Netwatch. In addition, we invest heavily in the local community. We invest in local charities, schools and sports, particularly GAA and rugby, because it is very important for us. Our key objective is to bring life to the wider community in which we do business.

Looking back over our journey, there is no question that there have been challenges at every stage. Many of those challenges are still there today. The hardest part of the journey was step 1, in terms of raising seed capital to grow the business. We were turned down by our very first bank. The second bank we went to forced us, and I use the word “forced” deliberately, to sign personal guarantees or else we would not get the finance. It took us five years of positive training to force that bank to release those personal guarantees. If this country is serious about getting more startups into the funnel that creates big businesses, no startup should ever be asked sign personal guarantees. It is bad enough giving up the comfort of a regular salary and removing the safety net of the social welfare system but there is a window when somebody is starting or thinking about starting a business where the fear of failure can become a stronger emotion than the hope of success. When somebody is asked to give up his or her salary and the social welfare safety net, being asked to sign a personal guarantee can be the straw that breaks the camel’s back. I have spoken to many people over the years who had fantastic ideas but who, because of the need to sign personal guarantees, did not start their businesses.

The second point concerns innovation and how we grow our businesses. There is no doubt but that innovation is the key to sustainable success. It is our competitive advantage and unique value proposition. We live in a market of rapid change across the globe. There are only two types of organisation in the world when it comes to change: drivers of change and victims of change. Unfortunately, companies that are victims of change do not survive; they have a stay of execution. When the rate of change in the external market is faster than that in our own companies, we will become victims of change. Research and development is therefore critical if we are to grow our business and compete, particularly internationally.

This brings me to the point I am trying to make. The research and development tax credit system, which was designed to encourage Irish SMEs to invest in research and development, was great on paper but, in reality, does not work. It is too onerous and too complicated. One would need a dedicated accounts department dealing with the research and development applications alone. Not only that, but then one must check again to ensure that the application is

correct, and the only specialists in the country in this regard are probably involved in the top four accountancy firms. Even after that, Revenue has five years to come back and audit one's accounts to see if one did the right job. It is too onerous. It is very important we innovate. Innovation is at the heart of everything we do in Netwatch. Using the very best brains of Carlow IT, which is on our doorstep, we set up our own research and development department many years ago. The results are breathtaking. We now have a suite of software solutions that allows us to compete with very large organisations across the globe, companies that are ten times the size of Netwatch. We can beat them not on price but on quality and the services we provide. Again, we used the research and development tax credit system in the first year or two but then we stopped. It was too cumbersome and just too much hassle. This year we will invest more than €1 million in research and development in our organisation and we will take it on the chin. We will do it ourselves because it is the right thing to do. There should be supports available for this, though. We are lucky as an organisation in that we are financially strong and have a financial backer that understands research and development. However, the vast majority of SMEs cannot invest the way we invest. Someone must look at this.

I want to talk about the end of the journey from an entrepreneurial perspective and how we award or indeed punish entrepreneurial risk. As I said earlier, there is financial risk from the start, but equally it is my belief that we get penalised when we retire from a business. We grow a business and then sell it or whatever else we do to capitalise on that. We retire and we pay an extraordinary capital gains tax rate of 33% in this country, which is completely at odds with other countries around the globe. North of the Border is a very simple example. Let us say two guys, one in Dundalk and one three miles north in Newry, grow their business and then they both sell it for €5 million. Joe Murphy in Newry pays £500,000 to HM Revenue and Customs, which is not an insignificant sum in its own right; his cousin three miles south must pay €1.4 million in capital gains. It is wrong. If we are serious about driving economic activity by supporting entrepreneurs, we must support them on the way in and we cannot screw them on the way out. That is just the way it is.

The recession has changed all of us in this country, including the SME market, and Senator Ó Céidigh alluded to this earlier. There is now a new breed of entrepreneur who understands our responsibilities in contributing to the prosperity of the nation as a whole. This is driven by the knowledge that the Ireland in which we live today is the legacy of those who have gone before us, great men and great women who took risks and made sacrifices in order that we could have a better life. Some paid the ultimate sacrifice in order that this nation could be free - free to have its own culture, language and identity and free to make its mark on the world, as we have done for generations. Modern-day freedom comes from economic activity. Economic activity and economic independence for a country the size of Ireland - a small, open economy - come from the generation of business and the creation of jobs. More importantly, they come from international trade. Irish entrepreneurs have never been in a better position than now to cross international waters to explore opportunities, exploit those opportunities, bring the spoils back to Ireland and contribute to the big elephant in the room that is our national debt. We are creating jobs and the employment level is high but we still have the big issue of national debt. There is no doubt but that the decisions we make and the actions we take and that members take - and I want to influence the committee on this if I can - will be the legacy of future generations. There is now a window to make some of the changes I am speaking about. If we make them, we will leave a legacy we can be proud of.

**Chairman:** Next is Ms Evelyn O'Toole, CEO of Complete Laboratory Solutions.



**Ms Evelyn O'Toole:** I thank the Chairman, Senator Ó Céidigh, and the other members of the committee for inviting me and giving me the opportunity to represent the SMEs of Ireland. It is a great opportunity and one for which I am very grateful.

I am an entrepreneur. It started 24 years ago, when I was made redundant. I am from outside Clifden. I was based in Rosmuck in Connemara and I set up a company called Complete Laboratory Solutions, CLS. CLS is a contract laboratory. We are accredited to test food, water, environmental and medical devices, pharmaceutical products and clean rooms. We also train up lab analysts in our labs and transfer them on to client sites around the country. We are 24 years old and employ 160 people. I decided to make this move very quickly after being made redundant because I did not want to leave Galway or Connemara. Overall, we need a commitment at a larger level to people such as me who are willing to put a stake in the ground, to try to create something special and to create their own security, which, if they are successful, will create security for many more. Ninety-nine per cent of our staff are scientists. We are still operating in Rosmuck. We also have a special facility in Galway city for pharma and medical devices.

Our route was such that we started very small and with a very small financial background, so I needed every support in the world to survive. I did not look good on paper. I think Paddy Power would have given me very poor odds. My company is a great example of something that can go through if one gets the right supports. There are different levels of support depending on the stage one is at and how the company starts up. The first stage to note, which is really important, involves the local supports, the guys who understand and are in one's own locality. I refer to the likes of Údarás na Gaeltachta and the local enterprise offices, LEOs. They can pick people up, give them a lift and get them started. Then, as one grows, the support needs grow, as do one's skill set and knowledge set. Then a company becomes nationwide and then it becomes an international prospect. At present we produce 12% of our income internationally without actually having an international structure. This is where Enterprise Ireland comes in, and I must compliment our State bodies and supports because they are really good at what they do. They interleave at different stages when companies need them to lift them. Equally important are our business communities and ecosystems. I refer to things like our connectivity, broadband and being able to conduct an international business from anywhere. As Mr. Walsh said, we have a huge opportunity to become global players.

I wish to identify two challenges. I think because of our economic success at present and the way things are driving, especially in the life science area, we are competing heavily for talent, so our resources on the ground are becoming quite sparse. The attrition rate is costing a lot of money in training and retraining and onboarding people. Companies in the SME bracket such as CLS are competing with the multinationals for the same talent. This is an issue for SMEs, which are not on the same scale as multinationals.

I wish to identify two opportunities. I think the SMEs and the multinationals can collaborate at a higher level. I propose we make our multinationals the best of the competition within their corporate groups globally. I think we can achieve this by two means: first, by supplying the best workforce they can get anywhere in the world, and second, by having the best supplier base. The best supplier base comes from our bracket, the SMEs. We are innovative, really efficient and really good at the non-core stuff in which the multinationals should not be involved. Therefore, I think that by partnering closely and collaborating, the two largest factions of employers in Ireland, the multinationals and the SMEs, can produce a higher level of wealth, which we can turn into a bigger export opportunity.

Ireland should look seriously at developing a national strategy to give leadership in the area

of female leadership opportunity, and we should become the best in Europe for this. I think our partner will become the US because currently it is the leader in this area, but we have a real opportunity. Diversity and inclusion are not only about gender or diversity more generally, they are about economics and the best economic driver and it makes business sense. I can address that later in the questions and answers if members wish.

**Minister of State at the Department of Finance (Deputy Michael D’Arcy):** I thank the Members of the Seanad for inviting me to this committee to take part in the consultation on small and medium enterprises, a sector which is the lifeblood of the Irish economy. According to the CSO, SMEs make up 99.8% of all active enterprises in Ireland, accounting for 69% of all employees, 39% of Ireland’s gross value added and 48% of the total revenue generated by Irish based businesses. These figures demonstrate that SMEs are a crucial part of our economy. They have played a vital role in the recovery of employment growth in the country and it is a sector that this Government is committed to supporting. This support is needed now more than ever in light of the challenges facing Ireland next March with one of our biggest trading partners, the United Kingdom, due to leave the European Union. It is important in these times that we continue to support the sector as a key source of employment and to ensure its continued growth. It is not always possible to assist small and start-up businesses via the tax system. Businesses may not be profitable in their early years and as a result may be unable to benefit from income tax or corporate tax reliefs. However, our tax system has a role to play in supporting SMEs as one part of a wider support network. A number of incentives are available within our tax system which directly or indirectly benefit SMEs, some of which were amended as part of this year’s Finance Bill process.

In relation to corporation tax, the three-year start relief for SMEs which was due to expire on 31 December 2018 is being extended in this year’s Finance Bill until 31 December 2021. The three-year start up relief provides for relief from corporation tax for start-up companies in the first three years of trading with the value of the relief being linked to the amount of employers’ PRSI paid by a company. The relief was first introduced in 2009 as an incentive to encourage new business start-ups creating additional employment and has been extended and enhanced on several subsequent occasions. Start-up ventures, most of which are SMEs, have a key role to play in generating economic activity and providing new jobs. The three year start up relief supports the survival of new start-up companies, which in turn leads to a broadening of the corporation tax base. A review of the relief, conducted by the Department of Finance and published on budget day found that the relief was an important support for new businesses. In 2016, the relief supported 1,051 companies with 15,597 employees. Based on expenditure cost €5.7 million, the average cost per job supported in 2016 was €352.

In speaking about SMEs, it is important to mention the research and development tax credit. The credit provides a 25% tax credit for all qualifying research and development expenditure. Where a company has claimed offset of the credit against its corporation tax liabilities and an excess remains, the company can make a claim for payment of the excess credit remaining. The existing refundable element of the tax credit can be of particular assistance to companies that are not currently making profits and this can be of relevance to SMEs in a research and development phase as the credit can effectively part-fund the research and development activity and act as a valuable source of cashflow. While there are no specific provisions for SMEs in the research and development tax credit, Revenue guidance was issued in February 2017 with the specific aim of reducing the administrative burden of the credit for relatively small claims for SMEs and micro-companies to encourage greater uptake of the relief by such companies. I am aware that some other jurisdictions, including the UK, have specific research and development

regimes for SMEs. The research and development tax credit will be reviewed next year under the Department of Finance's tax expenditure guidelines. On Committee Stage of the Finance Bill 2018, the Minister for Finance, Deputy Donohoe, confirmed that the review will include consideration of the potential for SME-specific provisions to be introduced into the Irish research and development tax credit regime in next year's finance Bill.

Income tax based incentives also have a part to play in supporting small businesses, many of which commence or remain as sole traders or partnerships or are small corporate businesses benefitting from income tax based supports. Market failures mean that additional support measures are necessary to deliver financing and reduce costs to SMEs. This has been especially true in recent years and a range of measures have evolved to fill the gap, including the employment and investment incentive and the start-up refunds for entrepreneurs scheme. More recently, the key employee engagement programme introduced last year and the start-up capital initiative being introduced in the current Finance Bill demonstrate that we are ready and willing to come up with fresh solutions.

Small businesses need capital investment to survive and to grow and the tax system allows reliefs such as the employment and investment incentive, or EII, and start-up refunds for entrepreneurs, or SURE, to help businesses to source that funding. Earlier this year, amid industry concerns that the EII was becoming bogged down in delays and red tape, the Minister, Deputy Donohoe, commissioned a report to analyse the EII and SURE reliefs. The report, published last month, makes several recommendations to improve the efficiency and effectiveness the schemes, a number of which are being implemented in this year's Finance Bill. Further improvements are set for consideration in the context of next year's finance Bill. The most significant change in this year's Finance Bill is that claims for relief under EII and SURE are now to be made on a self-assessment basis. This will allow for a more simplified application process and for companies and investors to engage directly with each other on matters which can be self-certified or determined without Revenue intervention. To facilitate this process, the Finance Bill 2018 proposes a complete overhaul and simplification of the relevant legislation. Over recent years, the legislation for EII and SURE was amended to such an extent that it is all but impenetrable to most readers. A complete redrafting will mean that applicant companies, investors and their advisers will have much greater certainty and clarity on what the law actually is and how to claim the reliefs available. The Finance Bill 2018 also introduces a new scheme that allows family and friends invest in certain early-stage start-ups, namely, the start-up capital incentive, or SCI. Under the SCI, companies can raise up to €500,000 from investors who are connected with current shareholders. Family and friends are often the earliest investors in new micro-start-up companies and it is intended that this new relief will provide valuable support to these important new ventures.

As a business grows beyond the initial owner-operator phase, it becomes important for the continued development of that business to attract employees with new skills. This can be difficult in a competitive employment market and small firms can struggle to match the pay packages that larger, more well-established companies can offer. In 2017, the key employee engagement programme, or KEEP, was introduced to help SMEs to attract and retain talent through the use of share options. The take-up of the programme has been less than expected since its introduction in January last with some in industry observing that it is overly restrictive. To address this, the Finance Bill proposes relaxing certain restrictions and increasing the total value of options that can be granted to any one employee. The Government is committed to ensuring that KEEP operates effectively and will continue to keep it under review in this regard.



The Department of Finance will continue to monitor the effectiveness of these tax-based measures to ensure that they continue to provide the support intended. As I have said previously, the SME sector is crucial to the Irish economy and the Government is committed to providing a business environment to ensure the sector, which provides a significant level of employment in this country, continues to grow. I look forward to having a constructive conversation on the matter during the question and answer session.

**Chairman:** The final contributors in this phase are the president and the director general of the Construction Industry Federation, Mr. Dominic Doheny and Mr. Tom Parlon, respectively. They are sharing their time.

**Mr. Dominic Doheny:** I thank the Chairman for the opportunity to address the committee. As was already said, I am president of the Construction Industry Federation. I live in Tullamore where I am an active member of the chamber of commerce. I am past-president of the Midlands Gateway Chamber and the co-owner of a development construction company in Tullamore. The construction industry is a critical part of the Irish economy. All other sectors, including technology, finance, legal services and the public sector, depend on our industry for the accommodation and infrastructure the economy and society require. When the construction industry works, Ireland works. The medium-term prospects for the construction industry are generally positive following the introduction of the national development plan which outlined more than €116 billion in investment over the coming decade. There was an increase of 18.1% in the value of production in quarter 1 of 2018. The value of construction output reached approximately €20 billion or just under 7% of GDP in 2017 and most of this was produced by SME companies.

The construction industry is highly competitive and labour intensive. Competition for work is based on a number of factors, the two most prominent being labour and materials. Labour costs can account for more than 40% of a tender. Therefore, stability with regard to labour costs and an environment where contractors can tender on a level playing pitch are of paramount importance to our industry.

The construction industry is recovering from the most severe recession in the history of the State. It is essential that a framework exists that will ensure that Irish contractors employing Irish workers can tender on a level playing pitch. Equally, it is essential that workers in the industry are paid a fair wage. This, in turn, will ensure that we attract bright, young workers into the sector.

There are a number of other challenges facing the industry with regard to the demand for skills and the threat of building inflation. Following a decade of flat costs, a recent development has been the upward trend in building costs and tender price inflation, with the latter running at 6.3% per annum. The construction industry is experiencing a tightening in the supply of skilled labour, a natural outcome of almost a decade during which the number of new graduates and apprentices with construction related qualifications dramatically reduced. The CIF is focused on ensuring that construction becomes a sustainable, long-term career option. In the longer term, Ireland will benefit from filling skill gaps with students, apprentices and technicians developed through the Irish educational system. In 2019, we will deliver a major awareness campaign to try to attract young people, including females, into our industry. I call on the committee to support this campaign which we hope to roll out next year.

Another area that we have to address is public procurement. There has been much coverage of the school building issue in recent weeks. Without referring to the specific case, issues such as this terrible case are generally a manifestation of the failing of the public sector procurement

system. Under the Irish public sector procurement system, contracts are awarded to the lowest price bidder in the vast majority of cases. This means that contracting authorities cannot award the contract to the best contractor with the best track record or the best plan to meet the design created by the Department. This issue must be addressed or we will continue to see failures in delivery of public sector projects. Given the importance of this specific issue, the CIF is holding a procurement seminar on Thursday next in Tullamore, where we expect to have almost 100 people in attendance.

The CIF also recommends that the committee consider the role of fairer procurement in terms of capital expenditure by the State with regard to safeguarding and developing Irish construction small and medium enterprises. Our current procurement regime deals with everything but value for money for the client. It is excessively focused on lowest price. The price-quality ratio is important in public procurement. As in any mature economy, it recognises that we should move towards the whole life-cycle cost of the infrastructural asset.

Our position is fully captured in the sustainable procurement programme that we are currently pursuing with Government. At present, construction as a sector is characterised by low profitability and productivity compared with other sectors in the economy. With low margins, it is not possible to compete to deliver cheaper solutions. This is where technology and fairer procurement will play an increasingly crucial role, not only helping us build smarter new infrastructure but also improving how our current operational assets perform by focusing on the whole life of the asset. We need only look at the assistance our friends in agriculture and their SMEs obtain, specifically through their State agency, Teagasc.

From Ireland's perspective, the timing of the implementation of the national development plan, NDP, and the national planning framework, NPF, is essential to meet the critical physical and social infrastructure and the needs of a growing country, especially in areas such as transport, housing, health and education. The industry, therefore, welcomes the fact that the Department of Public Expenditure and Reform has established a Project Ireland 2040 delivery board with senior representatives from all of the infrastructure investment Departments to oversee the implementation of the plan and ensure fluid project management. SME businesses in construction and investors, designers and providers need certainty of the forward work programme, something which the new NDP should provide. The capital projects tracker, which is under development, should lead to a liquid pipeline of infrastructure opportunities.

Another positive development to emerge from the new NPF-NDP is the establishment of the construction sector group, which will work to ensure a regular dialogue between Government and the construction industry. It is widely acknowledged that a healthy, sustainable, competitive and well-functioning construction industry which offers good long-term quality employment and construction output is essential to the development of the goals of the NPF and the delivery of the priority projects outlined in the NDP. Policy actions in the areas of skills development and research and development should aim to accompany the national strategic outcomes identified in the NDP.

**Mr. Tom Parlon:** I will be brief because Mr. Doheny has covered most of the issues. We also had eloquent presentations from both Mr. Walsh and Ms O'Toole. I was just thinking of an old country and western song by Kris Kristofferson and the line, "You've been readin' my mail."

Mr. Walsh spoke of issues such as financial support, support for innovation and not taking advantage of entrepreneurs, which is our big worry. Mr. Doheny compared construction with

agriculture, an area in which the Minister of State, Deputy D'Arcy, and I have a background. I heard Ms Tara McCarthy, the chief executive of Bord Bia, on one of RTÉ's chat shows on Saturday last praising the fact that our food and drink exports are worth in excess of €12.5 billion. As Mr. Doherty stated, we are turning out €20 billion worth of work in construction and employing more than 150,000 people. There is not a Minister for construction or an advisory service such as Teagasc. We are largely left to our own devices. There is no incentive to invest.

I noted a couple of words the Minister of State used in outlining the supports available. There are supports and I do not intend to be negative. The Minister of State mentioned accessibility and some supports being impenetrable and excessively restrictive. By virtue of running their own show, owners of SMEs have less time than others and may not be focused sufficiently on paperwork and red tape. That is the area in which support is needed.

The construction industry must embrace innovation. This is not only an Irish problem, but a global problem. Off-site fabrication is the way to go. Some Irish entrepreneurs in the United States are just about to invest hundreds of millions of dollars in off-site fabrication for houses that would speed up construction. They are in California which has experienced a horrendous fire in which, on top of an existing housing problem, wiped out 25,000 of the state's finest houses. One can imagine where that project will start.

It is timely for both Senator Ó Céidigh and the Seanad that we are embracing this area. Construction is the lifeblood of the economy. The big foreign direct investment, FDI, companies are extremely important to the economy but construction has employed an extra 1,000 workers each month for the past 30 months. If there was a Minister, he or she would be cutting ribbons and making announcements every other day. We never get a look in, however, because this employment is spread across many areas.

I regularly walk in and out of Leinster House where a fine construction job is under way. It is being done by an SME from Templemore, Duggan Brothers. The company is proud to be working here and is getting on with the work. I am sure the innovation it is using is state-of-the-art.

In terms of support, the industry needs better access to finance. The banks have become extremely risk averse. A large foreign multinational company will get money it does not need but companies taking a risk are finding it extremely difficult to access finance.

On house building, Home Building Finance Ireland was announced in the 2018 budget but has still not materialised. I acknowledge there are issues. We are informed the legislation may be before the House before Christmas. Small construction companies need access to money without having to give their life away. They need it at a competitive rate and then they will go out and build. I appreciate the opportunity to come here and I am keen to be involved in the question and answer session.

**Chairman:** I thank Mr. Parlon and everyone else for their presentations. We will now take questions. I ask everyone to be brief and to the point in their questions and answers.

**Senator Victor Boyhan:** I thank my colleague, Senator Ó Céidigh, for organising this event. I also thank the members of the panel. It is right and proper that they are here. Small to medium enterprises are the lifeblood of the economy and we should be proud of them. It is right that the construction sector is at the central of political decision-making and that we are listening to its representatives.

What are the key words in this discussion? We heard about potential global players, opportunities, innovation, collaboration, capital and access to funding. I liked the emphasis Ms O'Toole placed on diversity because it is a valid and strong point. When we talk about diversity, perhaps sometimes we view it in its narrower sense. What do we need to address to encourage the culture of enterprise and innovation in our people? I refer in particular to the formation of a culture of enterprise and innovation in education through thinking about enterprise and the need for implementation in the educational system. How do we encourage people to be successful in business?

It is interesting that some of the successful role models in business have very limited education. However, they had a hunger in their belly to succeed and they are the top people in most of our businesses. I am interested in that difference. In respect of education, what positive steps can we take to increase people's enthusiasm for entrepreneurship? I congratulate our guests on their excellent presentations.

**Senator Joan Freeman:** I congratulate Senator Ó Céidigh on organising this event. I have been enlightened in so many ways. I address my first question to Ms O'Toole and the second to Mr. Doheny. I have just come back from travelling the country. Ireland exists outside of Dublin, even though most people think that it does not. I have seen that many counties have been neglected, especially in the area of employment. Ms O'Toole decided to keep her business in Connemara, which is commendable because she is creating employment there. As a female, what can she do to encourage other young women to have the courage to start up a business and remain in rural areas?

I started a suicide intervention charity in 2006 and the economic crisis hit us a couple of years later. One of the awful things about that was an immediate rise in suicides among construction workers. I heard Mr. Doheny state it was not possible to get the personnel that are needed. Is there a project in schools to encourage young people to consider construction as a possible career path? I refer in particular to apprenticeships. We could have another economic crisis and it would severely impact on farmers and construction workers. Is a plan in place that would kick in if that were to happen again?

**Senator Colette Kelleher:** I do not often get to talk about business but I am delighted to be here. I come from a long line of small farmers and shopkeepers so I have an appreciation of that sector. I was delighted to hear Mr. Walsh and Ms O'Toole kicking off the discussion. It is particularly commendable that they located their businesses near where they live. I also congratulate Senator Ó Céidigh on making us focus on this important issue. The striking statistic is that 70% of people in the country work for small and medium sized enterprises, SMEs. It is an absolute priority that we do everything we can to support the kind of businesses that Mr. Walsh and Ms O'Toole have stuck their necks out to create.

I also listened to the Minister of State's contribution and I thank him for sharing his time with us. He mentioned a series of measures, including a three-year start-up relief, research and development tax credits, income tax incentives, the employment and investment incentive, EII, scheme, the start-up refunds for entrepreneurs, SURE, scheme and the key employee engagement programme, KEEP. The panellists are sitting beside the Minister of State, which presents them with a great opportunity. As small business entrepreneurs, what do they think of these measures? Have they benefitted from them? Are they SME-friendly? From the point of view of those on the front line, are there ways in which these measures could be improved? Do they work? While it is heartening that these measures are in place, could other measures be introduced and do our guests have any specific proposals to address the concerns they have

raised? Would they like the committee to include any specific measures in our report?

What measures is the Minister of State taking to encourage women in business? I know many women with small children who go back to work find that the inflexibility of adapting to the workforce motivates them to combine work and family life by running a business. Is the Department considering specific measures in that regard? Are there any measures that Ms O'Toole and Mr. Walsh, who I am sure needs women in his business, would like the Minister of State to take or that we should include in our report?

**Deputy Michael D'Arcy:** I will make one point to Senator Boyhan. Many years ago, in our previous lives, Mr. Walsh sold me a diet feeder. Both Mr. Parlon and I were dairy farmers in the past. I have been making the point for a long time that many people start up business with a good idea but do not understand that the reason to be in business is to have a margin and achieve a profit. A person can have the best idea in the world, but if the structures, background and supports are not in place, he or she will not survive in business.

We are not good enough at delivering that message from day one. Day one is in secondary school when we should provide courses on entrepreneurship and how to establish and structure a business. We should all take stock of that, whether we are involved in a representative body or a company. Mr. Parlon and I were both involved in a company. We all have to understand margin because it is crucial. That is one issue.

To respond to Senator Kelleher, the EII, SURE and KEEP schemes provide tax benefits that result in tax foregone. We analyse these schemes. A point was made about exiting the research and development measure. The reason we changed the research and development structures and applied self-certification was to ensure additional cost is not incurred for hiring professional services such as accountancy and other advisers. We analyse and change the schemes. As each Finance Bill comes through each year, following each budget, we try to ensure that if we do not have the uptake that we would like we analyse why. The KEEP scheme is the best example. We got a lot of representatives from companies that found it difficult to be competitive due to an inability to attract staff. Due to being back to full employment those companies were unable to be as competitive as the larger foreign direct investment companies. We thought that the KEEP scheme would be a good opportunity as it means a person can have a share option in the business, retain the shares and choose to exit as they require funding. Unfortunately, uptake has been poor and that means something is wrong. We are quite satisfied that if the uptake is poor, it is a pretty good indication that something is wrong with the design or workings of the scheme. I do not take that criticism personally. I take the criticism that we have not designed a scheme well enough. If we have not designed it well enough then we are satisfied we will try to ensure that we design the scheme better.

I wish to highlight the following to Senator Kelleher. The paternity benefit was a big benefit in the last budget. While it has always been the case that when family came along maternity leave played a crucial part, it is important to give an opportunity to dads who are working, which people forget. We want to do more in this important space. Yesterday, members will be aware of the announcement of 45 professorships that will be available to females only. That is a space that is very original and innovative. I always point out to people that we have come out of a hellfire of a decade in business and I know because my business has traded through that decade. There will be more opportunities to do these things in the next decade. Unfortunately, we did not have that opportunity in the last decade when we just tried to keep the lights on, which we have done. I hope, for the next decade, that we will have opportunities to do more for women in business, particularly because they are a hugely untapped resource. Many women have good



ideas and we would like to encourage them and give them the benefits of advancing because, like Ms O'Toole has said, jobs revolve around ideas. Whether a person is male or female, we want to ensure there is an opportunity to create jobs, and indigenous jobs, whether they are in Connemara, in my own neck of the woods in Wexford or in the other corner of the country in Donegal. It does not matter where it is because wherever there is an idea, jobs will flow.

**Chairman:** Does Ms O'Toole want to answer a question or two?

**Ms Evelyn O'Toole:** Yes. I thank the Minister of State for his comments and thank Senators Freeman and Kelleher for their questions.

In terms of nurturing participation and getting more female and male entrepreneurs in the system, I will put a little more emphasis on female entrepreneurs. It would be helpful to make things easier, give a little bit more security and lean more towards a more customised version of what might work for females. One of the most common comments that I see is, in terms of training and investing in developing female entrepreneurs, is that sometimes there is a challenge between being carers and mothers and there are challenges with going overseas. For example, when Mr. Walsh and I chatted here earlier we realised we have a lot in common. We are finalists or winners of the Ernst and Young, EY, competitions. We both participated in the leadership for growth programme. Mr. Walsh said that it was one of the most important programmes that he did and the same applies to me. In 2014, when I participated in the course there were 23 Irish owners of SMEs of whom two were female. In 2000, I undertook the business development programme at the Irish Management Institute, IMI, and I was one of 19 business owners of whom two were female. Women's representation has consistently scored below par. From what I have heard on the ground, the cost of promoting a business overseas is prohibitive so having local education and upskilling for females will help a great deal. It will mean that women will not have to leave their responsibilities that they fulfil for the rest of the time. I represent mothers on this issue as I have got a lot of feedback from them.

It would be good if female entrepreneurship was funded exclusively. Enterprise Ireland raised a special fund for such an initiative but, unfortunately, there was a very low uptake. We need to revisit the initiative and perhaps change the structure; sometimes it is not the money but the structure or a lack of a soft skill that is at issue. Let us create a better structure. Recently a group of us came up with the idea of a residency for entrepreneurs. People would be placed with a company and given all of the benefits of the structure of the company and align with it to see if we can create female entrepreneurs in higher numbers.

Ireland, in line with Europe, has a rate of 9% female entrepreneurs. Going back to diversity and inclusion, and with special emphasis on the female piece here, Ireland has a huge opportunity to be a leader in Europe. At present the number of entrepreneurs here are just about on par with the rest of Europe. We can create a plan for Ireland to be leaders in this area. In the US post-war as part of the tender process for public procurement a tickbox was included in the application form which meant the applicant failed or pass. The tickbox sought to identify whether companies had a policy to include minority groups. If one did not have a policy to include females then companies were not awarded the contract. Companies started to include minority groups to comply with the tender application and win contracts. Surprisingly, over time it was found that the companies that committed to inclusivity performed better financially than the companies that did not. The initiative not only makes gender and leadership sense, it helps the economy and businesses. As the Minister of State has mentioned, a business has to be formed, created and lead in the finance area. If a business does not make financial sense then it will not survive. Therefore, we want something sustainable that makes sense. We have a real

opportunity now and Ireland should do this.

**Mr. David Walsh:** To address the question on how to create an entrepreneurial culture, the Minister of State mentioned that we should make entrepreneurial studies part of the curriculum at secondary level. While that is important, starting in secondary level is too late. The seeds of entrepreneurship need to be sown around the kitchen table where families talk to each other, thus entrepreneurship becomes the language of families. I firmly believe that entrepreneurship should be taught in primary school because primary schoolchildren have a fantastic relationship with their teachers, there is no exam points race and teachers are very influential.

A great Kerry entrepreneur called Mr. Jerry Kennelly started the outstanding Junior Entrepreneur Programme. My company in Carlow is very fortunate to sponsor the programme and I saw at first hand the real impact it made on young kids and on their thinking. All we were trying to do through the Junior Entrepreneur Programme was to say to young kids aged 11 and 12 to put entrepreneurship on their menu of options once they go through the education system. I would urge children to go through the education system, get a third level degree and a master's degree, if desired, but try entrepreneurship at least two or three years down the line.

The Minister of State made the important point that careers change. I am convinced that in the future every individual will have between two to four careers in their lives and, therefore, must keep an open mind. I hope one of their careers will be entrepreneurial. I moved from Kerry to Carlow and joined a company called Keenan Systems, an outstanding livestock feeding company. The experience I gained from working for that company gave me enough confidence to do something for myself but, like Ms O'Toole, I had the skillset to back that up. I admire entrepreneurs who start a business straight after leaving school. The entrepreneurial mindset comes at a very early stage when families discuss business at their kitchen tables with their children who attend primary, secondary and third level education.

Senator Freeman mentioned that Ms O'Toole and I built our businesses outside of Dublin. Ms O'Toole built her business in Galway and I built my business in Carlow. I think it is far easier to build a company outside of Dublin and slightly disagree with what the Minister of State said. In rural Ireland entrepreneurs do not set up businesses to make a big amount of money, revenues or profits, which is the result of doing the right things and doing them better than anybody else in the world. That is why my company grew in Carlow. Netwatch rose from the ashes of three great companies that went into demise - the sugar factory in Carlow, Braun and Lappin. The three companies at their peak employed 4,000 people out of a working population of 15,000 in the county of Carlow. One can imagine the devastation their closure caused in the region. I am a Kerry man, but Carlow people are incredibly resilient. There are some outstanding companies in Carlow that came from the ashes of those companies such as Netwatch and Burnside Autocyl which employs 800 people in Carlow under the radar. There are also Autolaunch and Keenan Systems where I worked, as well as an Irish whiskey business and so on. When someone grows and builds a business in a place like Carlow, there is a burning desire to make it work because he or she is in the local community, rather than being lost in a large conurbation. The profits and everything else come later. The Government's role is not to give us a hand-out but a hand-up by creating the appropriate conditions. As I said at the start, I am looking through the lens of international trade. The Government should give us the ability and put the structures in place to allow us compete in international markets and beat the large organisations, which is critical.

I am enthusiastic about what the Minister of State said about the research and design tax credit and its simplification. As I mentioned, it was designed for SMEs to encourage them to

develop and invest in their research and design departments, but some 75% of it goes to multinational organisations, only because they have the infrastructure to make it happen. During the years I have noted two debates, one of which is about the indigenous sector versus the multinationals, but, as Mr. Parlon rightly said, we need each other; it is a symbiotic relationship. Similarly, the media love the debate about the private sector versus the public sector, but we are all on the one side. Simplifying the research and design tax credit system as an incentive for Irish companies to invest, innovate and grow is the right thing to do.

The Minister of State did not address my final point. It is penal for Irish SME owners who grow their business, put in all of the hours which, as Senator Ó Céidigh said, can be more than 100 a week, and sacrifice their families and private lives to grow a business, until a day comes when they want to sell their business. There is a belief that perhaps when somebody sells a business, it disappears, but it does not. It gets far stronger. A simple example is a company in Waterford, namely, Eirgen Pharma, which is an outstanding pharmaceutical company, the founders of which grew it to a certain point, sold it to a large multinational organisation and it has since trebled its workforce. These SME owners are penalised when they sell, but when they sell, they try to invest somewhere else. They are paying capital gains tax at a rate of 33%, which was 20% before the recession but grew. The entrepreneurial community played their part by meeting and trying to make budgets match, but the matter needs to be addressed. We try to get people in at the start and while it is true that they focus on their career path, being screwed at the end is wrong.

**Mr. Dominic Doheny:** I was asked three questions by Senators Buttimer and Freeman which were related to education, what we could do to attract more people into our industry and what could be done about the issue of mental health in the context of boom and bust cycles.

On education, Mr. Walsh alluded to it and I fully agree with him. We have had a substantial discussion in the construction industry on the stage at which we should try to attract people into the industry. I will speak specifically about construction, but the Senator is correct that leaving it until secondary school is too late. It needs to happen at primary school. There is a significant ongoing debate about apprentices and how we can attract people into apprenticeship schemes and so on. The stereotype career paths are promoted all the time in secondary school. I have three daughters and, when we did the milk run to secondary schools in Tipperary, an apprenticeship career path was never discussed. It was all about third level attainment and which school had the largest proportion going on to third level. Some of the best engineers I have come across such as electrical and mechanical engineers took the apprenticeship route first. We need to get into primary schools and it could be done in a fun way. The Minister of State is right that it starts around the table, but for that to happen the parents must be brought on side. For us in the construction industry, owing to the recession and the number of people who left the country to seek employment abroad, parents need to be brought back on side. As I said in my presentation, we will embark on a serious promotional campaign for the construction industry early next year, in which one can have a worthwhile career.

We were asked what we could do to attract more people to our industry, through innovation and so on. We have discussed the matter. Our SME colleagues have also discussed it in the context of research and design and so forth. Teagasc which I mentioned is one of the best innovators in the agriculture industry. That industry, much like the construction industry, is primarily made up of SMEs, but most of the innovation happens within Teagasc. It develops it to a commercial level and then sells it to the industry through SME farmers and so on. We need a similar approach in the construction industry. Project Ireland 2040 outlined a construction

centre of excellence, which we are trying to promote to be akin to what the agriculture industry has in the form of Teagasc.

On mental health, an issue raised by Senator Freeman, there were major issues during the downturn. Ours was probably the most seriously hit industry in that regard. It has partnered with Pieta House to seek professional help and assistance for its members. We also strongly promote health and safety. A few weeks ago we had a health and safety week. There is, however, a legacy and, unfortunately, we must deal with it. It is a difficult issue and, regrettably, many of our members are no longer around because of it. How do we resolve it for the new people and companies, many of which survived the downturn? The Senator asked about future-proofing the industry to take us out of the boom and bust cycle. As I said, one of the best opportunities is offered by education, not least apprenticeships. Once someone has an apprenticeship card, it is tradeable anywhere in the world. We are not promoting the export of our people, but at least they have something on which to rely if they move abroad. It is then up to us to try to attract them back when some sustainability returns.

Under the national development plan, the announcement of €116 billion in capital investment over ten years represents significant expenditure which will reach every corner of the country. All of our SMEs will be able to take advantage of it, but we cannot afford for it to be back-ended. It must be spread evenly over the ten year period in order that our SMEs will have the opportunity to tender for the work. There is a practice in our industry called “bundling of contracts”, which means that if there is a bundle of schools or courthouses, for example, it is taken out of the scope of our SMEs. That must change. Procurement which my colleagues and I mentioned needs to be seriously looked at.

**Mr. Tom Parlon:** Mr. Doheny gave credit to Senator Buttimer for asking a question which my old colleague, Senator Boyhan, asked.

**Senator Victor Boyhan:** Mr. Parlon knows me well.

**Mr. Tom Parlon:** The question was a good one. It was about encouraging a culture of entrepreneurship, from which we are moving a little. People want to be professionals and part of large companies. There are many reasons for this such as pension schemes, early retirement and being able to do all sorts of things. We should return to encouraging that culture of entrepreneurship, but the question is how to do it. Some of the roadblocks need to be removed. If one takes a risk, one must receive some allowance for taking it. Self-employed persons work extremely long hours and there is no overtime, for example. In our industry we very much embraced diversity. While we are diabolical in getting women to work in the industry, we have superb role models. Tomorrow evening in a local hotel there will be an event for women in construction, at which some of the superb role models who work well in the industry will tell their story. That is one way by which we are trying to spread diversity.

We must encourage the culture of entrepreneurship across the board. We have our own challenges and must compete with every other sector, which is a challenge. I mentioned the additional 1,000 people every month, but we have exhausted nearly all of the low-hanging fruit. Yesterday morning I flew to Amsterdam on a work trip to look at Dutch house design. As I walked through Schiphol Airport, which is a massive place, I was smiling because three separate people said “Howya, Tom.” It was like walking down the main street in Birr. It was because the Aer Lingus flight had just arrived and construction guys were heading off to go about their daily business. We are involved in an international business, but, as Mr. Doheny said, we should encourage people to acquire the skills here. If someone becomes a qualified

electrician or tradesman, he or she has the opportunity to go on to third level, but that presents a difficulty. If he or she is not in a position to do so, his or her employer or parents will have to put their hands in their pocket to fund it. If someone automatically decides to fill in the CAO application form, there will be a college place for him or her somewhere, he or she will have a wonderful five or six years in college and come out with a degree, but he or she will then start having to learn how to work. If someone chooses to enter into an apprenticeship scheme, he or she will have to find an employer, fund himself or herself and get to work every morning. It is a tough grind, but it is certainly worth it. How do we promote it? We should make it a little easier for young people to do it.

**Senator Máire Devine:** I thank Senator Ó Céidigh whose knowledge of and passion for small businesses has opened my eyes and ears. I come from a health background where it is more difficult to understand small businesses. With Senator Freeman, I worked in psychiatry for over 30 years. During the years of the downturn we gained a new diagnosis term - ecoside - suicide caused by the economic downturn - and it involved men. Looking at the list of delegates, of the 23 presenters, five are women. At the time we wondered why it involved men. Obviously, enterprises are male-run. The delegates are, however, very welcome and I also thank them for teaching me.

I will make a few observations, rather than asking questions. I say, "Well done," to Ms O'Toole and Mr. Walsh for helping to prevent the depopulation of rural Ireland. The projections show that by 2035, 70% of us are going to live in cities, which is going to cause its own major difficulties. I hope Ms O'Toole and Mr. Walsh will buck the trend with the quality of life and employment they offer and keep people in the country.

Going back to the issue of female representation, to a certain extent, we have done it in politics through the 40% quota. We have also done it in academia. How can we do it in apprenticeships, which are so important?

The delegates have told me eloquently about their own experiences. It seems that women lack the traits of finance and e-commerce which seem to be more male traits. Therefore, we may need to embed them even as early as primary school. They seem to be more male than female qualities. I am terrible at maths. The teaching of young girls and women in this area might be approached in a more gentle and enjoyable way in order that they might develop the capacity to carry these skills through and that they will not be scared off.

A point was made about apprenticeships. There is a push to encourage more females to take them up, but apprenticeships seem to be valued less than third level education courses. We appear to have become a society which sees third level education as a rite of passage, as an easier life for four years, rather than actually getting out and doing the hard graft in setting up one's own company. Apprenticeships needs to be supported and promoted because we do not all have the opportunity to meet the cost of third level education. We need to put apprenticeships on a par and stop devaluing them in the eyes of society in general.

Not much has been said about broadband. The fiasco that has happened and that is going to stall its provision has been touched on. As a Dub, I cannot get over how anything is done down the country. I have to wait until I get back to Dublin, the Pale, to do anything. It ties in with the point about e-commerce. How can we expect to have the capacity to teach e-commerce if we do not even have broadband?

**Chairman:** The Leader of the House, Senator Buttimer, will speak now.



**Senator Jerry Buttimer:** Not Senator Boyhan but Senator Buttimer.

**Chairman:** I did not get it wrong.

**Senator Jerry Buttimer:** I am slagging.

I welcome our cuairteoirí. Déanaim comhghairdeas leis an Seanadóir Ó Céidigh agus a chairde as an bhfhochoiste seo a shocrú inniu.

At this very important sub-committee we are focusing on the lifeblood of the economy. In preparation for the event I took notice of the report, The Future of Business in Ireland: A conversation with SMEs, published by Vodafone. It was reasonably heartening, notwithstanding the challenges faced. I do not want to strike a discordant note, but in listening to some of the contributions, one would think no jobs had been created outside Dublin.

**Senator Máire Devine:** The Leader does not have to make a political point; he could just ask a question.

**Chairman:** I am trying to encourage questioners to be brief and to the point.

**Senator Máire Devine:** Thank you.

**Senator Jerry Buttimer:** It is a pity the Senator does not listen a little more. Part of what we must do is not talk ourselves down but talk ourselves up. There was nothing but positivity in the four contributions made on the far side of the Chamber.

**Chairman:** Definitely.

**Senator Jerry Buttimer:** That is important. If one looks at IDA Ireland client companies, they account for a figure of 5.1%, or 210,000 people in employment. We are near to full employment, but if one closed one's eyes and listened to some of those in this Chamber, one would swear that there was nobody working.

**Chairman:** Please try to be positive.

**Senator Jerry Buttimer:** I want to be very positive because last year the majority of jobs created were outside Dublin. We all accept that we must create a balance.

In the context of small and medium-sized enterprises - this cannot be done in Mr. Parlon's sector - and working remotely, we hear talk about improving quality of life. As an economy, how much can we do in support of that objective?

For start-up companies, 2017 was a record year. A total of 61 were created per day. I am concerned about the age profile in and sustainability of some of the companies being created by young people. How can we nurture and support them?

I commend Ms O'Toole on her wonderful contribution and thank her for being here. She spoke about attrition in attracting and retaining staff. She might develop that point a little more, please.

Mr. Parlon is correct in saying that when the construction sector is working, Ireland is working. We have challenges in that regard. I am curious about how we can create an entrepreneur culture.

Mr. Walsh spoke about being at home. We have, correctly, seen migration by women towards STEM subjects. Will he elaborate on and develop the point he made about that seed being sown? There were six of us in my household. Five of us were working in the public sector, while my brother William worked in the private sector. How can we change that mentality in giving people confidence?

This week in the *Irish Examiner* there was a headline about the rates being paid by a particular small and medium enterprise in Cork city. On the cost of doing business - I am sorry the Minister of State is not present because he has done some work on the cost of insurance issue - how do we get the balance right between the local authority in trying to collect rates and the entrepreneur or business in seeking to develop and expand and not being penalised in doing so? County and city councils obviously need to collect rates, but how do we get the balance right?

On recruitment and the tax system, how do we - this is anathema to some - incentivise and help to create jobs given that the rate of unemployment is now 6%? However, we have a very high youth unemployment rate of 14.8% which covers those aged between 15 and 24 years.

I thank the delegates for being here and commend Senator Ó Céidigh on arranging such a wonderful, innovative sub-committee meeting.

**Chairman:** Something struck me very forcefully when Mr. Walsh was talking about the penal rate of capital gains tax of 33.3%, up from a rate of 20%. I fully share his view that there is a lot of capital tied up from which people are afraid to part because of this penal tax rate. It is capital that could be freed up to find a new home to fund new and fresh investment. It is something I would like to put strongly to the Minister of State who has left. The message should be: do not worry; it will not be lost. We are against the clock. Will our guests comment briefly on those points?

**Ms Evelyn O'Toole:** I will take the question on attrition. As a result of the environment in which we work, which is in the life sciences, we become the supplier or the nursery. We bring in people, we train them and then they go to places where they can get larger packages quite quickly, perhaps within two to three years. There is an inversion of this also, which serves us well. We supply fully trained analysts to the same guys that we compete with. We are a small to medium sized enterprise, SME, competing with a multinational. The same market is taking our guys through the recruitment and we are also supplying them part of their headcount. We can be part of the correction of that by agreements with them. I think I speak for the industry when I say that the smaller guys find it more difficult to compete with the bigger guys in terms of security. In the context of entrepreneurship, if a person is offered a senior executive package of €150,000 to €200,000 with loads of security then why on earth would he or she become an entrepreneur? The stakes are against it.

**Mr. Dominic Doheny:** I wish to comment in the context of my work with Construction Industry Federation and with the chambers of commerce. Under the German model, apprenticeships are a very sought after career path. It is not only relevant to construction, it is also relevant to the health, medical and finance sectors. It is something Ireland does not really tap into at all. I would definitely promote this aspect.

I can make some personal comments on the issue of working remotely. I am the director of an innovation centre in Tullamore that is owned by Offaly County Council. The centre provides hot-desking facilities. It is very interesting to see the number of people taking up that facility who previously worked at home but who need the social interaction of other people,

while wanting to maintain their solo working. We provide them with hot-desking, which is extremely successful. One of the offerings is fast broadband to serve their needs. Perhaps this is a way of rolling out broadband to the rural areas; bring it to innovation centres first before it is rolled out anywhere else. At least then people can come together collectively and work from those bases.

The Senator referred to rates. Commercial rates are a very topical issue in the area from which I come. We all know that councils must balance their books at the end of every year but if we lose our rate base in regional areas through major closures and so on, then the rates will be increased for those of us who are still around. It is up to the powers that be to make sure we continue to have a set of supports. The Senator referred to IDA Ireland and foreign direct investment in rural areas or the regions. That needs to be maintained and increased if we are to have sustainable business plans for those of us left in the regions.

**Mr. David Walsh:** I wish to make a point about remote working and about Senator Devine's comments on broadband because they are completely related. There is a cultural change happening in Irish businesses where business owners now see the value of employees working remotely, ideally from home. It ticks all the boxes around traffic congestion, car travel and so on. It is, however, all dependent on broadband. I deal with companies that measure output not input. They do not care about a person's location provided he or she does the right job and works within the parallel lines of the ethics and culture of the organisation. Broadband is critical. Consider where we are located in Carlow town. We are very fortunate that we have broadband for our communication to the world. Our company does remote video monitoring. If I went to Tullow or Rathvilly, I would be scuttled because broadband is not available. We have 200 people working in Ireland, of whom some 70% or 80% are working in and within 25 miles of Carlow. I would say that 75% of those people could not work from home even if we wanted them to work from home, because they do not have the communications. The roll-out of the broadband plan is critical. That matter was not raised at this meeting because it has been discussed so often. We have been beating our drum on this issue for long enough. The roll-out needs to happen. If we want employees to work from home or remotely, then broadband quality has to be the same in Rathvilly as it is in Dublin.

**Chairman:** Would Mr. Parlon like to comment?

**Mr. Tom Parlon:** SMEs shoulder a disproportionate burden in terms of regulation and administration costs. If that burden were eased somehow, either by reducing those costs or offering assistance in the context of incentivising owners to upskill themselves and their employees, it would certainly go a long way towards allowing us to compete more with larger companies.

**Chairman:** Would Senator Ó Céidigh like to make a brief closing comment?

**Senator Pádraig Ó Céidigh:** Yes. I will take just two minutes because I am aware that we are over time. I thank everyone involved, especially our guests. Their contributions reflected their passion, intellect and knowledge. All of us have learned a lot from what the witnesses have said and shared. It will certainly form part of the report that I will propose to our committee to reflect on and review. We hope to have that as soon as possible. I would say it will be completed in late January or early February. A colleague of mine is going ahead with her work soon and I am pretty keen to work with and support Senator Kelleher in her project also.

Companies do not grow, people grow. That is what it is all about. If we invest in people, we will have a fantastic country. The Tricolour means as much to me as it does to all of us here.

The bottom line is that this is what we are all about. We are not here for a long time, but we can pass it on so that our next generation can help to continue creating better communities.

I appreciate the point made by Ms O'Toole and Mr. Walsh to the effect that it is important to acknowledge the work the Government is doing to provide help and support. Reference was made to Údarás na Gaeltachta and others. There is a lot of support available but there is more to do. In Mayo, for example, we carried out significant research on Gaeltacht regions. The rate of unemployment in the Mayo Gaeltacht is more than three times greater than that which obtains elsewhere in the State. We still have work to do. This does not mean that we can sit back and think we are all great, but there are a lot of good things happening. I thank the Chairman my colleagues for supporting this part of the workshop programme.

**Chairman:** I thank all present for their contributions. It has been a very informative and productive session. We have all learned a great deal from the insights and observations offered. As Senator Ó Céidigh stated, today's discussions will be taken into account when the draft report is being prepared. Copies of the final report will be sent to all the representatives in due course.

**Senator Jerry Buttimer:** I propose that we suspend proceedings until 4.15 p.m.

**Chairman:** Is that agreed? Agreed.

*Sitting suspended at 4.10 p.m. and resumed at 4.20 p.m.*

**Chairman:** We commence session 2 in public session. On behalf of the committee, I welcome Mr. Kevin Sherry, executive director of global business development, and Mr. Mark Christal, manager of the regions and entrepreneurship division, Enterprise Ireland; Mr. Neil McDonnell, chief executive of ISME; Professor Stephen Roper, director of the enterprise research centre of Warwick Business School; Dr. Jane Bourke, senior lecturer in economics at UCC; Mr. Sven Spollen-Behrens, director of the Small Firms Association, SFA; Ms Rebecca Harrison, managing director of Fishers of Newtownmountkenedy; Mr. Fergal O'Brien, director of policy and public affairs at IBEC; Mr. Gerard Brady, head of tax and fiscal policy at IBEC, and Dr. Tom Healy, director of the Nevin Economic Research Institute. I thank them for coming and engaging with the committee in its consideration of this important topic.

Before we continue, I draw their attention to the fact that by virtue of section 17(2)(I) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by the committee to cease giving evidence on 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. I advise them that any opening statements made to the committee will be published on the committee's website after this meeting.

To commence proceedings, I invite the committee's rapporteur, Senator Pádraig Ó Céidigh, to make a few introductory remarks. I will then invite each witness to make a short presentation. They may share time with colleagues if they wish. If so, I ask that they indicate the intention to do so when invited to speak. After the presentations, there will be time for questions and comments from Senators and for responses from the witnesses.

**Senator Pádraig Ó Céidigh:** Ní bheidh mé ach nóiméad nó trí. I thank the witnesses very much for coming and for the time they have put in. It is important, despite the small number of Senators we have here. The contributions set out in all their submissions are very much taken on board, as will be the case with the presentations and information they are about to share with us. I said earlier that companies do not grow; people do. It is all about our people. There are a couple of factors. I used to teach maths and I think visually. If one thinks of three circles which interact in the middle, one will be the entrepreneur, business person or SME and the supports they get. The witnesses' organisations support them in a key and fundamental way. The other part of it will be the employees and the people. An entrepreneur or SME can only do so much alone. Support, commitment and that work ethic together are also needed. The third area is the environment within which they work, namely the State, and the way we as legislators in the Seanad and the Dáil can work proactively to help those three circles to be in sync to make Ireland the best small country in the world in which to start up, run and grow a business.

We had entrepreneurs and SME representatives before us earlier, including Netwatch which employs 600 people, 200 of whom work in Carlow. The company pays out more than €8 million a year in salaries to people in Carlow, which is a major contribution. The best thing one can do in life is give a person a job. If one gives a person a job, one provides the opportunity for independence, integrity, choice and so on. One gives a person options. I am passionate about this particular aspect of the work I am doing in the Seanad, about the support and contribution of the witnesses and about those three circles working very much in synch. My colleagues on the committee are committed to this as well. It is not a political issue and we are all here together wearing the same jersey.

**Mr. Kevin Sherry:** I thank the committee for inviting us. I am joined by my colleague, Mark Christal, manager of our regions and entrepreneurship division. Enterprise Ireland's remit is to support companies engaged in manufacturing and internationally-traded services. We also have a responsibility as an organisation for foreign direct investment, FDI, in the food and natural resources area. The majority of companies with which we deal are SMEs across a wide range of sectors located in every village and town in Ireland. Our focus is on helping those companies to start, develop their business and grow internationally.

We have ten offices around the country and work in close partnership at local level with a range of enterprise development partners, including local enterprise offices, business innovation centres and the Design and Crafts Council of Ireland. Funding for those bodies comes through Enterprise Ireland. In addition, we administer on the direction of Government various schemes, the most recent example of which is the online retail scheme introduced to support retailers to bring their businesses online. At the centre of everything we do as an organisation is helping companies to build scale and expand their reach. That is a focus of our 2020 strategy, which aims to help companies to create 60,000 new jobs by 2020 from the existing record level of just under 210,000; increase exports to €27 billion; increase annual spend in Ireland by an additional €4 billion, and inspire more companies with global ambition to scale their businesses, including Netwatch, a company to which Senator Ó Céidigh referred. I am pleased to note that in 2017, the companies we work with experienced record employment growth of close to 210,000 direct jobs. There was almost the same increase again in indirect employment. That involved the creation of 10,300 net jobs. That employment growth was experienced across all regions, counties and sectors. We have 33 offices around the globe and they support our clients to build their exports. Exports were at a record level of €22.7 billion in 2017, which represented an increase of 7% on 2016. Importantly, we have been focused with clients recently on diversifying their businesses. We have seen clients reduce their dependency on the UK, which



is our closest market, from 45% to 34% over the past ten years.

Our work in the start-up area is about assisting entrepreneurs to realise their ambitions. Through our new frontiers programme and 14 institutes of technology nationally, we have supported 326 years over the past two years. We have also supported 91 businesses and start-ups through our competitive start fund and 90 businesses through our high-potential start-up fund. Innovation is at the centre of most companies and we have assisted clients to build their innovative capacity. We have supported more than 100 companies in terms of spend in excess of €100,000. We have also approved funding for 436 innovation partnerships in technology gateways throughout the country in 2017 and provided financial support for over 1,000 collaborative innovations between industry and higher level education organisations. At the beginning of 2018, we launched an agile support under research and development to respond quickly to the needs of companies that are innovating and to provide them with support. On market diversification, which is about spreading companies' risks across export markets, one of the key activities Enterprise Ireland is involved in is helping companies win new customers in international markets. It is critical to get that first customer and we helped in excess of 1,300 companies secure new contracts in export markets in 2017 and helped 350 companies establish new presences in international markets. We also brought 870 international buyers to the country to encourage and help them secure business from Irish companies in 2017. At the beginning of this year, we launched a new support to help companies further drive their exports and internationalise their business and that was called the new market discovery fund. That is to accelerate companies' efforts in trying to diversify their business with the pressures from Brexit. Competitiveness is important in that area and it is critical that we help companies maintain their competitiveness, not just in Ireland but internationally. In 2015, we collaborated with the local enterprise offices to pilot a lean offer for them for smaller businesses and I am pleased that the number of companies that have gone through that programme now exceeds 1,100 so that has now gone mainstream. We also launched a new operational excellence offer at the beginning of this year.

On regional business ecosystems, we work closely with our parent Department on new schemes. The new regional economic development fund, REDF, under which the Government committed €60 million, was launched last year. There were two calls in that, the first of which allocated €30 million to regional initiatives and the second of which was for 21 successful projects around the country. The second call is well advanced at the moment and is currently being assessed.

There are many challenges facing SMEs and we have set them out in our submission to the committee. I highlight two that are currently relevant, namely Brexit and attracting skills and getting good people.

On Brexit, we have done much work as an organisation, not just for our clients but for companies to help them prepare for Brexit. We launched a Brexit scorecard with which companies can self-assess their exposure to Brexit and more than 3,190 companies have completed that to date. Actions emerged from that to help them respond to Brexit and better prepare themselves. We also provide grant support in that area and we have been undertaking Brexit roadshows around the country, both national roadshows and Enterprise Ireland roadshows. In excess of 940 participant companies in that area attended the roadshows. The roadshows are focused on helping companies to identify the issues in their business that they particularly face and then to respond and act on the initiatives. We back up that information in support of companies and take action on the areas of risk that they have identified.

Attracting and retaining skills is critical to SMEs and we are in the fortunate position now where unemployment levels are much lower than they were five to ten years ago, particularly five years ago. What has been critical for those companies is that recently we launched an initiative called Spotlight on Skills, for example, which is a workshop to help companies identify their own skills needs and to develop a plan for addressing same. To date, we have engaged with 140 companies on those skills workshops, representing 16,500 employees. That helps them to prepare to secure the skills that they need today and that they will need to develop their business in the future and helps existing employees within the business, as the Senator has indicated, to grow their own capabilities.

**Mr. Neil McDonnell:** The ISME submission is on the record of the House and I do not intend to read it.

On the macro risks that we pointed out in our original submission, since we wrote that, the UN Conference on Trade and Development, UNCTAD, has confirmed an outflow of US foreign direct investment from Ireland between the first half of last year and the first half of this year of \$81 billion. The macro risks we pointed out in our submission are, therefore, no longer academic. They are real and they are happening now.

The broadband saga rolls on without a credible end in sight. This is critical national infrastructure for which the private sector will not be able to create a profitable liquid market in the short to medium term. The State should repurchase the distribution network for broadband and rethink the national broadband plan.

In view of what is happening with Brexit this week, we urgently need to reconsider our road and sea links to the continent due to the material likelihood of a no-deal Brexit.

Our costs of business remain persistently high with no apparent will to tackle them. Insurance is indicative of the malaise that afflicts all our strategic thinking. We are great at setting up commissions, studies, working groups and panels but we lack any determination to put their recommendations into action.

Since we wrote to the committee in September, budget 2019 has been published without any meaningful adjustment to the key employee engagement programme, KEEP, scheme. Similarly, while it would have cost €37 million to give tax equity to the self-employed via the earned income credit, this was not done and a €300 per annum difference remains. We can only ask the committee to imagine the outcry if this inequity was applied to public sector workers. These are small but significant illustrations of the disconnect between those who work in our public service and those who generate the wealth to pay them.

In summary, as we said when we wrote to the committee, we need to fundamentally reconsider our indigenous industrial policy and steer it towards small domestic enterprise. We need to do that soon and we hope the Seanad can be prime movers in doing so.

**Professor Stephen Roper:** We are grateful for the invitation to address the committee. I am professor of enterprise in Warwick Business School and I am joined by my colleague, Ms Jane Bourke from University College Cork. Today we are representing the Enterprise Research Centre, ERC, which is a UK Government and UK social science funded research centre. We conduct primary research to address knowledge gaps in the UK which underpin enterprise policy and also knowledge curation - making knowledge available to policymakers more effectively in the UK.

I will leave it at that as I have to run for a plane but Ms Bourke will provide some information to the committee.

**Dr. Jane Bourke:** We thought it would be useful to make the committee aware of some new data on microbusinesses in Ireland. This data were collected as part of an international project by the ERC.

Microbusinesses are businesses that have less than ten employees and they comprise more than 90% of businesses in Ireland. In 2016, there were approximately 250,000 microbusinesses in Ireland, employing 27% of the workforce in businesses. These firms are critical to future productivity and job growth. However, we know little about microbusinesses in Ireland, because they are excluded from most Government and academic surveys. For instance, the innovation in Irish enterprises and the Irish innovation panel excludes firms with less than ten employees.

Earlier this year, with support from the UK Government, the ERC undertook a survey based project focusing on the activities of microbusinesses in the UK, Ireland and the US. This project provides new data on innovation, growth ambition and digital diffusion for microbusinesses. Data were collected from 1,500 firms in Ireland and larger samples in the UK and the US. I will talk briefly about three themes of the data, namely, ambition, innovation and digital adoption in microbusinesses in Ireland. On growth ambition, previous research has linked owner-managers' growth ambitions to the subsequent growth and performance of the firm. Looking first at respondents' aspirations for their microbusinesses, we consider the proportion of respondents ranking each aspiration as important or very important. The data suggest a sharp distinction between the 71% of Irish respondents who aim to keep their business similar to how it operates now, and the more ambitious 27% who aim to build a national or international business. The 27% figure in Ireland compares to 22% in the UK and 18.2% in Northern Ireland. Individuals' personal ambitions suggest a rather different set of priorities, with a marked emphasis on freedom and flexibility. This is consistent with much of the research literature on self employment and entrepreneurship which stresses the financial, as well as the non-financial, benefits of being your own boss.

Turning to innovation, we consider two indicators relating to whether microbusinesses introduced new or improved products or services over the three years prior to the survey, or new business models or forms of organisation. On both metrics, microbusinesses in Ireland are ahead of those in the UK and the USA. In addition, the percentage of microbusinesses undertaking innovation is relatively uniform across the country. Another innovation indicator, the proportion of sales derived from innovative products or services, provides an indication of the extent to which firms are able to derive sales from their new products or services - a measure of innovation success. In the year prior to the survey, Irish firms derived around 11% of their sales from innovative products or services compared to 9% for the UK and 10% in the US. This means more than €1 for every €10 of sales in Irish microbusinesses comes from new and innovative products and services.

The adoption of information technology has been one of the key drivers of productivity across advanced economies over the last three decades. The advent of Industry 4.0 presents businesses with new challenges relating to digitisation in both selling and operations. Our microbusiness survey provides the first robust benchmarks for digital adoption in firms with fewer than ten employees in Ireland. The survey focuses on five established digital technologies and two emerging digital technologies, namely, artificial intelligence and machine learning. Generally, adoption rates in Ireland compare well with those in the UK and are markedly higher than those in the USA. Approximately 40% of microbusinesses in Ireland are using web-based ac-

counting software and cloud computing, compared to around 20% in the USA.

Our aim is not to make public policy recommendations for Ireland but to make the committee aware of the new data on microbusinesses. If the committee would like further analysis of the data, we would be more than happy to provide it.

**Chairman:** Mr. Sven Spollen-Behrens is director of the Small Firms Association and Ms Rebecca Harrison is managing director of Fishers of Newtownmountkennedy Limited.

**Mr. Sven Spollen-Behrens:** The Small Firms Association, SFA, represents a diverse membership of businesses with fewer than 50 employees. We are homegrown and span every sector of our economy. Our members can be found in every town and city in Ireland. We have a vision of Ireland as the most vibrant small business community in the world, supporting entrepreneurship, valuing small business and rewarding risk takers. We have over 246,000 businesses, employing half of the private sector workforce, which is 720,000 people.

The Irish economy is performing strongly, but it is clear that the rapid current growth is based largely on the success of multinationals and foreign direct investment. In contrast, the small business sector is not performing at its optimal level in many areas, including the rate of start-ups, scaling, survival, productivity and exporting. To counter this, the SFA is calling for a national small business strategy, replicating the successful playbook that has been employed since the 1950s for attracting foreign direct investment.

I will now ask SFA member Ms Rebecca Harrison, owner and managing director of Fishers of Newtownmountkennedy, to share her thoughts on her situation and the Irish economy.

**Ms Rebecca Harrison:** Fishers of Newtownmountkennedy Limited is a family-run department store located in County Wicklow, which is in its 40th year of trading. We have grown from a small country clothing shop to a multidepartment store with concessions. I set up Food at Fishers Limited, a daytime café, in 2013. We have 32 employees in total and there are five other small businesses operating on our site, employing a further 12 people.

I fully support the SFA's call for a national small business strategy and I congratulate this committee for undertaking a public consultation process to examine the creation of an integrated proposal document supporting the fostering, growth and sustainability of indigenous Irish SMEs. As an owner-manager of growing businesses, I would like to see all parts of the State system get behind small businesses like mine, especially those in the regions and rural areas, so that we can scale, grow and create employment.

I acknowledge that there are many State supports for small firms, given by Government Departments and agencies. I am involved in the Department of Business, Enterprise and Innovation's retail consultation forum. The forum has proven to be very successful in gaining an insight into the retail sector specifically, and we are delighted to see some real action following the forum's recommendations, and those of the organisations here today, such as the recently announced online retail scheme via Enterprise Ireland, and the excellent *supportingSMEs.ie* website. I have also availed of the trading online voucher through the local enterprise office, LEO, to maximise our sales potential online and used the Strategic Banking Corporation of Ireland, SBCI, loan scheme for some capital expenditure. Furthermore, I have engaged with the Sustainable Energy Authority of Ireland, SEAI, in relation to upgrading our lighting and heating for cost-effectiveness and energy efficiency.

A small business strategy would create coherence in all policies and instil a business-friend-

ly approach in public officials across the apparatus of the State. As an owner-manager, I would like to see greater understanding from Government officials and political parties of how small businesses work, our concerns and unique challenges, and I believe that all proposed legislation and policy decisions must be assessed for their impact on small business, instead of just on large business. I am a retailer and café owner and these sectors have come under increasing pressure from rapidly rising input costs, regulation, access to finance and taxation.

I have several key areas that I would like to address in the proposed strategy. The first is labour. This forms one of the largest costs, in terms of both time and money, within my businesses. The impact of each increase in the minimum wage is felt most profoundly by SMEs. Our staff are key people and are the most important part of our business. They are not on the minimum wage but their rates are linked to it so our labour costs increase every time the minimum wage rises, substantially increasing our total cost base with no corresponding increase in sales.

The proposed introduction of restrictions in pay and working hours, such as banded hours, and other mechanisms to restrict allowances for seasonal fluctuations worry me greatly. They will lead to laying off people completely or to increased labour costs, to such an extent that the business will no longer be viable. The proposed introduction of auto-enrolment pensions would be a cost too much for my business to bear. Access to good labour is also a problem facing many SMEs. The welfare system, in its current format, is still discouraging employees to work more than three days a week, as their benefits will be lost. A transformation is needed in this area to allow employers to access more hours from their trained and experienced staff and reduce the Government's welfare bill. The impact of these issues go directly against the Government's objective of increasing jobs.

The cost of utilities and insurance was mentioned previously. The high cost of energy is rightly encouraging us to become more energy efficient. I was delighted to see grant supports through the Sustainable Energy Authority of Ireland being made available to SMEs recently. However, in my experience of applying, the burden of information required leads the grant to be inaccessible to many SMEs, even those working closely with a certified electrical contractor, as I was. The need for a consultant to complete the application form defeats the purpose and negates the benefit of the grant, especially for an SME whose total spend is smaller but for which every penny counts. This process must be made simpler and more accessible. We have seen several key insurers leave the retail sector recently, reducing competitiveness and increasing costs. My own business has had to move to a UK based insurer to get cost-effective cover but that relationship is now in jeopardy with the onset of Brexit.

On taxation reform, as a self-employed worker, I would support tax changes that allowed me to invest in my business and to attract and retain skilled employees, especially as we enter full employment. In addition, more Revenue guidance in several areas to assist small firms like mine to reduce the cost of tax administration would be welcome. Specifically for me in the retail sector, I would welcome an ability to pay VAT weekly or even automatically at the time of sale to spread payments rather than paying a large lump sum. Also welcome would be substantial reformation around employer and employee taxation such as fewer restrictions on gift voucher incentive schemes, employer PRSI and assistance with PAYE modernisation. For SMEs, cashflow is our biggest barrier to growth so any schemes that can assist with this to regulate the flow or bridge the gap would be transformative for our ability to grow.

Turning to the regulatory burden, there are many regulations facing all businesses and while many are excellent initiatives, it seems unfair that the burden and therefore the cost is always



placed on the business. For SMEs, this forms a substantial part of our cost base. I refer, for example, to costs in analysing ingredients for allergen legislation, installation and high ongoing costs of health and safety initiatives, food safety paperwork and procedures and other areas, alongside continuing professional development, CPD, which we conduct anyway. It seems that while each Department introduces new initiatives, the cost impact on the SME owner of one initiative coming on top of another is not considered.

It is now more important than ever that a mutual trust is developed between the Government and SME owners. Discrimination against the self-employed continues, for instance, in the gap referred to earlier between the earned income tax credit and the PAYE tax credit as well as in welfare supports. It seems that the Government does not trust us to conduct our business properly, yet we operate in an environment that is so burdensome that it is impossible to do anything other than conduct our businesses correctly.

In recent decades, Government policy has been successful in attracting foreign direct investment. The focus must now shift to SMEs. It is time to create a strategy for growth for indigenous small businesses with a special focus on taxation reform, competitiveness and the cost of doing business, especially considering Brexit and the uncertainties surrounding it. The Government must deliver on this commitment to creating a small business strategy in order to gain trust among the self-employed. Any initiatives seeking to foster growth and sustainability for indigenous Irish SMEs must also support this much-needed key policy change. This is the biggest step the Government can take to encourage more people to go into business for themselves. More businesses mean more jobs, greater levels of innovation, increased tax revenues and more vibrant local economies.

On my own behalf and that the Small Firms Association, I thank the committee for affording us this opportunity to submit our views.

**Chairman:** From IBEC and sharing their time, we have Mr. Fergal O'Brien, director of policy and public affairs, and Mr. Gerard Brady, head of tax and fiscal policy.

**Mr. Fergal O'Brien:** I thank the Chairman and members of the committee for the invitation. I will make some brief introductory comments on what we see as the broad trends in the enterprise sector and the economy at the moment. My colleague, Mr. Brady, will address the specifics we have laid out in our submission. I share the view of previous speakers that while we have a very dynamic group of indigenous businesses that perform cutting-edge innovation across a range of sectors, applying world class technologies and in many cases performing very strongly on a global scale, we have no doubt that the SME and indigenous sector is not living up to its full potential. We identify a number of policy levers that could significantly improve the environment for SMEs in Ireland. I will comment on what we see as very significant trends in the Irish economy over the last half decade or so that I think will bring significant opportunity and challenge for the SME sector if we do not react in the right way from a policy perspective.

By far the most significant trend of the last half decade has been the hyper-globalisation of the Irish economy. This has brought incredible success in terms of employment in our multinational sector. We have seen the quality of multinational activity increase and strengthen significantly in terms of the nature of the roles, depth of innovation, and world-class quality of manufacturing that is happening here. Ireland is now one of the most open, globalised economies in the world. The multinational sector that is active in Ireland is performing at a level on a par with any other developed economy and in most cases beyond our competitors. Unfortunately, some of this success brings us very significant challenges. More than in any period in the last

15 years, we think the economy is now facing very significant risks. It is facing competitiveness risks from an internal policy perspective and, as has been mentioned, some very significant external risks.

Examining the manifestation of the success of the multinational sector, one of the clearest indicators we have is that our corporate tax revenue has more than doubled in the space of four years. This gives us a significant opportunity in terms of the resources at our disposal but it also brings us a risk if we do not apply those resources correctly. To date, the main focus of public policy has been to put that corporate tax bonanza into the day-to-day costs of running the country. That is adding to the cost base and competitiveness challenges of the SME sector. We urge the committee to examine the source of the revenue from which the Exchequer is now benefitting - more than €5 billion in four years - and to ask how we can use this really important source of business tax to better invest in the economy and make it more sustainable for all enterprises. The reality for the SME sector is that the cost of business is going up because of the wider success of our economy, whether through competition for labour, the cost of rent or the cost of business services in the economy. We are losing competitiveness very rapidly and right now we are not reinvesting the fruits of the success of the multinational sector. That €5 billion surge in corporate tax is not being invested back into infrastructure to create better business conditions for all businesses, back into an innovation environment or back into the skills that we so desperately need for this economy.

We are potentially at an inflection point for the economy. We have performed incredibly strongly over the last years. We have a risk around the imbalance we are seeing in this corporate tax surge and the implications for competitiveness elsewhere in the economy. If we reinvest the proceeds properly, we can really improve business conditions for SMEs. If we do not, we will accentuate and make worse the competitiveness challenge that the SME sector is already facing. My colleague, Mr. Brady, will outline some of our specific solutions for the SME sector.

**Mr. Gerard Brady:** I will give an overview of the five key areas we identify in our submission to the committee. We can get into more detail in the question and answer session. The first area that we think is lacking in supports for SMEs is investment, including helping business and SMEs to invest as well as the environment for people who wish to invest in SMEs. Irish small businesses, compared to their European counterparts and those elsewhere, are overly reliant on short-term bank financing and particularly on overdraft financing, which is a more expensive and more volatile source of resources. Our equity mix is pretty poor compared to other countries, as is the availability of equity financing, which could diversify that funding source. In that context, the employment investment and incentive scheme, EIIS, has taken a big nosedive, particularly over the last year or so. A huge number of our members used it in its successful previous guise, the business expansion scheme, BES. In the first quarter of 2018, the take-up of that scheme was down by about 50% on the previous year, despite the turnaround in the economy over that time. There are big issues to do with state aid rulings there. Some of them have been dealt with in the Finance Bill but there is an ongoing need to improve support for companies looking for equity investment rather than relying on short-term bank financing.

The second area we drew attention to was Brexit protection. We are all discussing some of the things we would like to happen for our SME sector but the reality is that without at least the semblance of a deal over the coming months, it is very hard for any SME to plan. That is particularly true of those relying on the UK in the food sector and traditional manufacturing. Those companies will need support. They have got some in the budget. They have got some resources for borrowing from Government, as well as new longer-term borrowing provisions, which are

welcome. However, in the event of a harder Brexit or ongoing uncertainty, some companies will need more direct supports than are currently available. That may require changes to state aid rules, for example allowing for a temporary state aid regime, from our European colleagues. Another element of the Brexit issue is that a huge amount of companies will now quite possibly have to deal with the UK as a third country for the first time. That will mean huge changes in the way they must interact with their suppliers and the people to whom they are selling. The import VAT regime is a huge worry for a lot of our companies because it could have a significant impact on cashflow in the event of a hard Brexit.

The third area we drew attention to was the innovation performance of small Irish companies. Particularly, we looked at mid-cap and small companies. They have pretty good innovation performance across the board, but they are not in the top tier of European companies of their size. This is crucial to their growth. We can examine the mean support throughout the State for small companies, or for all companies. The take-up of the research and development tax credit among SMEs is very low compared with what it is in the UK. Other countries have simplified *pro forma* versions of the onerous regulatory forms involved in claiming a research and development tax credit. They have separate *pro forma* versions for SMEs, which help them overcome some barriers, particularly the costs involved in claiming a credit when professional services must be hired.

Our fourth issue is management capacity and skills. International research shows that Irish SMEs have poor management capacity when compared with some of our neighbouring countries and that we are in the lowest third internationally. Growing that management capacity is going to be increasingly difficult for companies because of the tight labour market. They will struggle to compete with the multinational sector on wages. That has been mentioned already. A huge amount of that is down to the fact that they just cannot afford to pay the same kind of wages on a salary basis. The best option from the State's point of view therefore is to allow them to use their equity to try to hire key staff through improving share option schemes. The key employee engagement programme, KEEP, has been mentioned before. There are some improvements to it in the Finance Bill but on the other hand, KEEP has seen some reversals in other areas of the Bill. If that scheme does not work there really is no differentiator or support for hiring when firms cannot match multinationals in competition for skilled workers, particularly at the C-suite level where mid-cap companies are trying to expand.

Finally, I refer to a point that has been made already about regulation. We appeal to the committee to encourage an approach of thinking small first when it comes to regulation. A huge amount of regulation is aimed at corporates but does not take into account the impact on owners of SMEs. That impact is felt in terms of time more than anything; owners who could be putting their time to more productive use must deal with significant regulatory burdens. There are good examples of how regulation can be improved and made to suit SMEs, but there are other areas where we could do with more help. In particular, by international comparisons the State is pretty poor at doing regulatory impact assessments when it comes to introducing new regulation. An improvement in the use of regulatory impact assessments could have a knock-on impact in the time available to owners of SMEs and their ability to run their businesses and grow them for the benefit of the whole country.

**Chairman:** Our last speaker in this session is Dr. Tom Healy, director of the Nevin Economic Research Institute.

**Dr. Tom Healy:** A Chathaoirligh agus a Sheanadóirí, go raibh maith agaibh as an deis seo chun labhairt libh. I want to make three points in this presentation, which is a summary of many

other points made in our written submission. The first is that SMEs have been a huge success in weathering the storm of the downturn. Many went under; many just about survived at huge personal and family cost, as was mentioned by Senator Ó Céidigh earlier. The second point, reflected in previous comments, is that we ought not to be complacent. The domestic enterprise sector, particularly SMEs, is vulnerable, and the performance is not what it could be relative to other northern and similar European countries. I refer to performance in terms of productivity and global market share. The third point is there is scope for many different approaches and many different forms of ownership. That can include partnerships involving voluntary, for-profit and State involvement, including municipal enterprises and various different forms of entrepreneurship.

I will touch on several policy points or recommendations that ought to be considered. The first comment by Mr. David Walsh from Netwatch was that personal risk and the punitive terms sometimes exacted by the banks from people setting up enterprises are real barriers to entrepreneurship. I would like to suggest that an enhanced social insurance arrangement for all the self-employed would provide a safety net, a stronger protection against loss of income or business failure. This could help entrepreneurs to fail and start again and not to be inhibited by the enormous personal costs involved in businesses that do not succeed.

The second point I would like to make is that we have a lot to learn from other European countries, particularly Germany. I hope we will hear a little bit more in the next session about the role of different regional banks in funding small and medium-sized enterprises. In the context of Brexit there is an opportunity for the British and Irish Governments, the European authorities and the European Investment Bank to consider an investment vehicle that could not only lend to businesses in Northern Ireland and the Republic of Ireland, but could also provide information and support services, working with Enterprise Ireland and Invest Northern Ireland.

A third policy point to which I wish to refer is the importance of devolution or delegation of power from the centre. The local enterprise offices could play a much stronger role in identifying supply linkages and opportunities for SMEs to develop better and stronger links with larger companies and multinationals.

A fourth point concerns the mix of different ownership types. I will mention the huge role of community co-operatives in generating electricity in Denmark and providing power to the national grid. This was part of a carefully crafted strategy over three decades that weaned Denmark from its dependence on fossil fuel imports. We are 85% dependent on fossil fuel imports and we must radically change that. Small and medium-sized enterprises, including possibly community co-operatives and other joint efforts involving equity holdings, for example, by investment banks and by public utilities, could be effective in making that transition to a zero-carbon economy.

The final policy point is the role of education and training. It appears from the data on workforce and management skills in SMEs in both the Republic and the North that there is a deficit. That must be part of a long-term plan involving apprenticeship training and a lifelong learning culture that is embedded in the way institutions of education and learning link in with enterprises at a local level, creating pathways of lifelong learning and upskilling and retraining members of the workforce. In the context of Brexit it is clear that inevitably there will be a huge loss of jobs in some sectors and regions. We must work on replacing those jobs in new markets, new enterprises or new lines of activity.

Míle buíochas as an ócáid seo. Mar athchoimre, is léir go bhfuil dúshlán mór again ó

thaobh na timpeallachta agus Breatimeachta de agus tá dualgas orainn an béim a chur ar fhiontraíocht dúchasacha atá in ann dul i ngleic leis na baic mór agus na comhlachtaí móra ar leibhéal idirnáisiúnta.

**Chairman:** Thank you for your presentations. We will now have questions from the Senators and the witnesses can respond. I ask everybody to keep their questions and the responses short and to the point.

**Senator Máire Devine:** Ba mhaith liom buíochas a ghabháil le gach duine. It is wonderful to hear the Gaeilge. It is popular in this Seanad because Senator Ó Céidigh uses it on so many occasions he baffles me, but I am getting there.

I jotted some notes that occurred to me but they might not necessarily be in order. My first question is for the representatives of Enterprise Ireland and Dr. Tom Healy of the Nevin Economic Research Institute. It is about succession plans. A PwC survey in 2016 found that only one in seven Irish small and medium businesses had robust succession plans and half of those surveyed had no such plans. We are approaching the demographic challenges arising from the retirement of the 1950s baby boomers. Succession is an issue the EU has raised as a concern. It will impact on 600,000 people per year. France, Italy and Scotland have moved to introduce what is known as the worker co-operative buyout. Dr. Healy has spoken about this a little with regard to different types of enterprises. Has Enterprise Ireland carried out research on that to find out if it is possible to introduce that or strengthen it in Ireland? What are Enterprise Ireland's views on a co-operative buyout model as a viable solution to succession issues? I say that in a context where we are experiencing a cultural shift that will come to the fore in the next generation. The cultural shift is towards being more socially aware of injustices and seeking social justice. The co-operative model would dovetail with that. Could it dovetail with small and medium enterprises as well?

Brexit is the biggest and messiest divorce around. The news flash is that there is a text of a deal between the UK and Europe and apparently it has been agreed. However, it is a media leak. We have been in this position previously so we will not hold our breath. The issue is the growth in exports. According to the Enterprise Ireland global market report for 2017, just 1% of Irish exports go to Latin America and 9% go to southern Europe, Africa, the Middle East and India, despite those locations representing approximately half of the global population. Some 34% go to Britain but that will be extremely uncertain. It is important to diversify. Enterprise Ireland teamed up with Google and brought Google's digital garage of free online tools to the regions. It is a positive initiative. Has it yielded results or is it too early to say? Is it captivating small and medium businesses?

Returning to the cultural shift, our planet is deteriorating rapidly. The environmental impact is bringing forward climate change as well. If we have fewer skilled people chasing the many jobs being offered and if there is a dearth of a skill, people will have more choices and value will have to be added. Are small and medium enterprises involved in reducing the carbon footprint, reducing emissions and opting for microgeneration of its electricity and selling the excess to the grid? That is the added value the next generation in the cultural shift will be seeking. Climate disaster is probably ahead of Brexit. How clued in, aware and active are small and medium-sized businesses in trying to address the carbon footprint and the destruction of the planet by humans?

On the recent general data protection regulation, GDPR, I hope the witnesses have had a nightmare with it because we certainly have. What costs has that incurred in terms of the cost



of closing business deals and the extensions and delays to contracts? How difficult has it been for businesses? It is difficult for us to get responses now because everybody is hiding behind it, and “hiding” is sometimes the term as opposed to being compliant with the legislation.

I have more to say but I will conclude with that.

**Chairman:** Does Senator Ó Céidigh wish to go next or does he wish to wind up?

**Senator Pádraig Ó Céidigh:** I will wind up but I also wish to ask a question.

**Chairman:** I will call Senator Kieran O'Donnell first.

**Senator Kieran O'Donnell:** First, I thank Senator Ó Céidigh for this welcome initiative. I come from the ranks of the self-employed. I set up my accountancy practice when I was 28 years old. People said I was mad but I did it for 12 years. I am relatively rare as one of the self-employed who went into politics. I have a background in politics, but the risks are enormous. I was that soldier. When I started out I heard Albert Reynolds tell a great story about pressure. There is huge pressure with Brexit now but he was speaking in the context of the Northern Ireland talks. He said pressure is going out on a Friday night and calling to six or seven dance halls knowing that if one does not lodge IR£10,000 on Monday morning one is out of business. That is pressure. Will the witnesses give their views on credit from the banks? Cash is king. In particular, what is ISME's view of the small business sector's interactions with the banks?

This meeting is very worthwhile and we should have more of them. I was unable to be here earlier due to commitments at constituency level. I was interested in Mr. McDonnell's view on broadband. Perhaps he would expand on that and on whether that train has left the station. When Eircom was sold it was a little like buying a house when the value of the house was the copper in the roof rather than the house. The value of Eircom, now Eir, was in broadband and the possibility of a broadband network. Eir and many other operators have already invested significant sums in fibre broadband. I am interested in the witnesses' thoughts in that regard.

The Small Firms Association spoke of a national small business strategy. I do not know if Enterprise Ireland or the local enterprise offices are represented today. Enterprise Ireland represents indigenous firms, many of which are small and medium sized enterprises that enter the export market. IDA Ireland look after multinational and foreign companies locating here. Typically, the local enterprise offices deal with firms which employ ten people or fewer. Who caters for domestic businesses that have been operating for three years and are now expanding? This cohort of firms has always felt it was being let down. I would like to see these SMEs to be helped to get into the export market.

There are rumours that a deal has been done on the wording of the backstop.

**An Leas-Cheann Comhairle:** We must not hold our breath.

**Senator Kieran O'Donnell:** I hope they are true. I watch British politics and I question whether the lights are on. Brexit is a disaster for us and the UK. Some of the deliberations at political level in the UK defy logic and do a great disservice to the British public given the impact Brexit will have.

In the context of Brexit, the valuation of sterling and so on, are there specific measures the SME sector would like to see being taken? What is the kernel of the difference in the small business strategy? People speak about strategies but many of them are common. Is there a

silver bullet, specific to the SME sector, that, to borrow a phrase from the former Taoiseach, Deputy Enda Kenny, would make Ireland the best small country in which to do business or perhaps the best country in which small business can operate? This is a very good exercise.

**Senator Pádraig Ó Céidigh:** I thank everyone for their presentations which were first class. While I have been taking notes throughout, I still missed parts of the extremely valuable contributions.

An important purpose of the Upper House is to invite before such as the witnesses to appear before us in order that we all become part of the process, rather than looking down or up at it. This type of engagement, whether it relates to small and medium sized businesses, mental health or other issues of fundamental importance to society, allows people to tell us what is needed. This process is fundamental for democracy.

I was very much taken with what Ms Rebecca Harrison said. Her family has been in business for more than 40 years. The majority of businesses in Ireland are family businesses. My colleague, Senator Devine, referred to research that found that one in seven SMEs do not have a succession plan. Why is that the case? One reason is tax which prevents people from moving on and another is that some people do not want to go through the stress that family members have gone through running a business. There are two issues to keeping a business going. The first, the financial side, is what everyone talks about. However, the elephant in the room is the stress it causes because every day is about trying to survive. A national small business strategy connected with the ministerial process and purely focused on SMEs would be an extremely important move.

What do ISME and the Small Firms Association consider the top three areas for reform that should be included in the committee's report?

Will the researchers from the enterprise research centre explain the academic thinking around the direction of small business policy and how it should be developed? Dr. Bourke might not be able to share that with us now but perhaps she will send us the information in due course.

**Dr. Jane Bourke:** Sure.

**Senator Pádraig Ó Céidigh:** Enterprise Ireland has done a great deal of work on female entrepreneurship, an issue that was discussed earlier. Will Mr. Sherry tell the House about some of the positive things that have been done in this area in the past three or four years and provide some European comparisons? I do not have figures, but my sense is that the number of female entrepreneurs promoted by Enterprise Ireland is almost twice as high as the EU average. Mr. Sherry will have more accurate figures.

Mr Neil McDonnell spoke about broadband, foreign direct investment and Brexit, all of which will be a serious challenge for us.

I very much appreciate the contribution of Professor Stephen Roper who came all the way from Warwick.

I cannot agree more with Mr. Brady and Mr. O'Brien on the global trends. We are extremely dependent on foreign direct investment, but we must do this ourselves. We can no longer be dependent on foreign direct investment. This will involve a longer term strategic policy that the Government and others must seriously consider.

Go sábhála Dia sinn. D'fhéadfainn a bheith ag éisteacht anseo le Dr. Tom Healy go maidin ag labhairt as Gaeilge. Ní amháin é sin ach na pointí a rinne sé, bhí sé chomh maith agus chomh domhain agus chomh tábhachtach. There are different types of ownership and we should explore this type of thing and expand our minds. There are different ways to skin a cat and achieve success. Dr. Healy spoke about banks and personal guarantees. I have been subjected to the practice to which he referred and almost lost my house. I did everything I could to grow a business. He also referred to an enhanced social insurance scheme. These kinds of things are important. Social insurance reduces the level of stress because it helps to provide for a family, whether someone is a man or woman.

The need for a much stronger role for local employment offices was raised, as were the issues of ownership types, education and training and life-long learning. Whereas first, second and third level education is very strong in this country, executive education is very weak compared with many other countries and this is a big problem. I thank the witnesses for attending today.

**An Leas-Cheann Comhairle:** As we are up against the clock, I ask witnesses to be as brief as possible. I will start with the ladies. I invite Ms Harrison to speak first.

**Ms Rebecca Harrison:** It is great to hear support for the idea of a strategy. It is about getting everyone talking together and gaining an insight into the impact on regulation and so on, which is very important.

The Senators raised many issues. The issue of businesses finding themselves in the middle because they are larger than those accommodated by the local enterprise offices but may not have the same focus on exports as those supported by Enterprise Ireland is an important one. There is also the issue of getting out to businesses that need assistance. I probably fall into that category, but I work with my local enterprise office and Enterprise Ireland, and do so successfully on both scores. I switch between the two.

Brexit is very interesting. In assessing the possible impacts, for me the biggest is the unknown. We can prepare for any number of different things.

**Chairman:** We will know soon one way or the other.

**Ms Rebecca Harrison:** Hopefully that will be resolved.

**Chairman:** It is a monumental folly in any event.

**Ms Rebecca Harrison:** We need the focus to be on remembering us and how the impact on small business is different from that relating to large corporate organisations in the context of the strategy and regulations that are made.

**Mr. Kevin Sherry:** Enterprise Ireland has been very focused on female entrepreneurship in recent years. Six years ago, between 7% and 8% of the start-ups Enterprise Ireland supported were led by females. We saw this as a fundamental issue. Last year, we supported 181 start-ups, of which 63 - or 28% - were female-led. We are putting a focus on the area, providing specific supports, providing a female-led competitive start fund, providing mentors who are specifically focused on female-led enterprises, providing support in terms of networks, and encouraging and putting a spotlight on the area. Obviously, we will not be satisfied until we get that to 50% - 28% is more than half way there.

The UK is the most important export market for indigenous companies. That will continue to be the case. Last year, exports to the UK grew by 4%. The good news is that over the past ten years, exports into the UK have continued to grow, but exports to other countries have continued to grow at a faster pace. Exports to Asia-Pacific countries grew by 9%. Our exports to the US grew by 7%. We are trying to ensure companies can grow faster in those markets.

Senator Ó Céidigh is right in what he said about some markets. In the case of Latin America, we are starting from a lower base and they are more challenging markets to enter. It is about focusing on the areas where Enterprise Ireland clients and Irish companies have specific expertise and capabilities that match the needs of those markets. For example, this week we have a trade mission in Germany led by the Minister of State, Deputy Breen, focused on medical devices. There are two leading medical device trade shows. Last week, we had a trade mission to China which was focused in Hong Kong on financial services, led by the Minister, Deputy Humphreys, and also mainland China. On Thursday evening, we have a major financial services event in London. It is about focusing on not just a general market but areas where we have capability and where there is opportunity.

I will ask my colleague, Mr. Christal, to speak about succession planning.

**Mr. Mark Christal:** A point was made about succession in family business. Our experience in Enterprise Ireland and with the local enterprise offices, LEOs, is that succession is an issue that faces many companies across all sectors and it is not just family businesses. A key element of our focus and response is in the area of management development, which has been mentioned by a number of people already today. In managing the succession of businesses, it is key to have strong emphasis on the breadth and capability of a management team so that when owners move on, a strong management team is ready to take the business on. In the area of training, mentoring and management capability, programmes we run, such as Leadership for Growth and Innovation for Growth, and training programmes we support with the LEOs across the enterprise spectrum are critical at that point of succession.

**Mr. Neil McDonnell:** We are very conscious that climate change is an issue. Carbon costs small businesses money, but the problem is that carbon generates a lot of money for the State. Decarbonising will need to push revenue elsewhere and everyone needs to think how that will happen.

GDPR is cost additive. It is too early to say what the ultimate implications will be for businesses. We do not want to see it become the next slip, trip and fall. There is real concern that could be the case. Nobody has absolute rights. Bunreacht na hÉireann allowed us to execute people up to the 1970s. It recognised a balance of rights between public and private. It cannot become an absolute right for privacy. One of the big areas in which we are seeing privacy having a negative impact is on insurance. There is push-back on a claims database because people do not want to share who all these really unfortunate people having a large number of accidents are.

On credit, everyone is saying we are too dependent on the pillar banks. There are alternative networks that are potentially functional in Ireland, most especially the post office network and the credit union network. We really need to think how we can use those sensibly.

The significant issue underlying the national broadband plan is the commercialisation of the last mile, especially in rural areas. Figures in excess of €2,000 per household have been mentioned. I am not our policy guru on this, but I am rehearsing what he has been saying in

the media lately. By way of analogy to our gas and electricity networks, we have not sold those networks. We have kept the skeleton and sold access to the network commercially. That is why we think it is a viable proposition to purchase back the network. It could be done without taking it on the balance sheet because there would be a ready-made customer base to do it immediately. Despite some of the stuff in today's media that the way ahead is through 4G and 5G, we do not see that as being adequate for long-term cloud-based solutions where everything happens in the cloud.

While we may be seeing a solution to the withdrawal part of Brexit, one of the commentators last week referred to Brexit WTF - withdrawal, transition and future arrangement. In the long term, the issue will be about the regulatory and non-tariff framework. That will especially impact on food exporters. However, Revenue could make a contribution. There is no absolute necessity to collect VAT and customs duties at point of import when the UK becomes a third country. Revenue could treat the UK in that way for tax purposes. We understand the impact on cashflow could be relaxed if Revenue so determined.

We were asked for our top three. A strategy is the one thing that unites all of us. When ISME, IBEC and the SFA agree we need a strategy, we need a strategy. The OECD will tell the State the same thing next year. A really simple point at which to start is the German federal Government's top ten for the Mittelstand. Second is competitiveness. It is more important for a peripheral nation to be competitive than it is for those at the core. We are just about as peripheral as it is possible to get now. The third thing would be sustainability in everything - our public sector finances, value for money for same, our debt level, our environment and bringing in the circular economy. Those would be our top three.

**Mr. Fergal O'Brien:** IBEC is working across our membership with SMEs and large energy providers on a business roadmap for carbon reduction. We see many business opportunities here. I accept it will be a cost and a challenge for the economy, but significant business opportunities will emerge from it. There are particular opportunities for Government to support indigenous SMEs which will see opportunities to support Ireland on a carbon-reduction roadmap.

On Senator O'Donnell's question about Brexit and what more can be done, it is inevitable that we are moving towards a less competitive and more expensive trading relationship between Ireland and the United Kingdom. Depending on the nature of that relationship, significant resources will have to be deployed to the indigenous sector in particular. We will probably need State aid approval from the European Commission to do that effectively. Companies will need time to transition depending on the nature of the new arrangement. I am referring not to the exit agreement but to the new arrangement. Companies will need time to transition and we will need significant resources.

**Senator Kieran O'Donnell:** I have a critical point to make.

**Chairman:** We are up against time.

**Senator Kieran O'Donnell:** I do not want to get bogged down in the process.

**Chairman:** I will allow the Senator to contribute briefly.

**Senator Kieran O'Donnell:** How would it manifest itself? What would those particular policy initiatives be?

**Mr. Fergal O'Brien:** Specifically, we will need a fund to help companies with capital in-



vestment. That is what we would urge because it would help them to become more innovative and productive and to reduce their unit cost base through capital investment.

**Senator Kieran O'Donnell:** What about the €150 million fund?

**Chairman:** It is not a question-and-answer session. Has Mr. O'Brien finished?

**Mr. Fergal O'Brien:** Yes.

**Dr. Tom Healy:** I will make a brief comment on the question of worker co-operatives. There is not a long history or significant record of worker co-operatives in this country compared with Spain, Italy or France. However, it is one possibility, among others, that needs to be looked at. One of my NERI colleagues is here today in the Public Gallery and together we are looking at the issue. There is an opportunity now with the impending loss of jobs in Bord na Móna and possibly further down the line in the case of the peat and coal burning stations for an environmentally friendly enterprise initiative in the midlands. Community and worker co-operatives could be part of the answer to that along with other initiatives.

**Dr. Jane Bourke:** One of the roles of the Enterprise Research Centre is curating existing knowledge for policymakers. We have recently launched what we are calling state-of-the-art reviews and we are happy to share them with the committee. I will not go through them now but some recent ones were on the evaluation of innovation policy initiatives, management practices and technology adoption. They would be of interest to the committee.

On the proposed national small business strategy, it is important it would draw on evidence-based decision-making using international research but also draw on Irish data because it is very likely that country-specific factors influence what works and what does not work for SMEs.

**Mr. Sven Spollen-Behrens:** On the small business strategy and the three priorities, the main thing is the change in mindset. Whilst we have the important FDI sector, we need to shift the focus without abandoning the FDI sector. One part of the change of mindset involves looking at legislation in the making. On its own, auto-enrolment is fine and can be dealt with. However, if one looks at banded hours Bills, which a different Department is looking at, the Low Pay Commission and minimum wage or other cost pressures being put on small businesses, it emphasises how important it is to have a bird's eye view of what is happening in the SME sector because it is all about competitiveness. What we see for the SME sector at the moment is a perfect storm where we could lose our competitiveness. I could go on but my one wish - instead of three - is the shift in mindset to focus on the SME sector.

**Chairman:** I thank the witnesses for their valuable contributions. It has been an informative and productive session. We have learned from the insights and observations of the witnesses. Full account will be taken of today's discussions when our draft report is being prepared. As our rapporteur mentioned, copies of the final report will be sent to all contributors as early as possible. I call on our rapporteur, Senator Ó Céidigh, to move the suspension of the meeting until 6 p.m.

**Senator Pádraig Ó Céidigh:** I move that we suspend until 6 p.m.

*Sitting suspended at 5.45 p.m. and resumed at 6.02 p.m.*

**Chairman:** On behalf of the committee, I welcome to this third and final session, from the Western Development Commission, Mr. Tomás Ó Siocháin, chief executive officer; from

Údarás na Gaeltachta, Mr. Micheál Ó hÉanaigh, chief executive officer, and Ms Sinéad Ní Fhátharta, enterprise and employment manager; from Irish Rural Link, Mr. Seamus Boland, chief executive officer, and Mr. Noel Kinahan, policy researcher; from the The Mill enterprise hub, Mr. Breannán Casey, business development manager; and from the indigenous enterprise digital and finance division of the Department of Business, Enterprise and Innovation, Mr. Eoghan Richardson, Ms Wendy Gray and Mr. Ross Church. The witnesses are most welcome and I thank them for engaging with the committee in its consideration of this important topic. I also welcome to the Gallery, Ms Maria O’Gorman, a board member of Irish Rural Link, who is from the kingdom.

**Senator Gerard P. Craughwell:** The Chairman would not miss that one.

**Chairman:** Our fellow townsman, Senator Ned O’Sullivan, is a great colleague of mine and of Senator Craughwell.

**Chairman:** Before we begin, I will draw attention to some procedural matters. 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. However, if they are directed by the Chair to cease giving evidence on a particular matter and continue to so do, they are entitled thereafter only to 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 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. Opening statements given by witnesses will be published on the committee website after this meeting.

I will first invite our rapporteur, Senator Ó Céidigh, to make a few brief introductory remarks, after which each witness will make a short presentation. Witnesses may share time with a colleague and I ask those who wish to share time to indicate this to me when invited to speak. As there is a large number of witnesses in this session, I ask them to keep opening statements as brief as possible in order that we can conclude reasonably early. After the presentations have finished, we will have brief questions from Senators and brief responses from the witnesses.

**Senator Pádraig Ó Céidigh:** Cuirim fáilte roimh chuile duine go dtí an seisiún deireadh ó thaobh phlé ar chomhlachtaí beaga agus meánmhéide na tíre. The witnesses are all welcome to this third session in our review and analysis of small and medium enterprises in Ireland. The committee intends to draw up a White Paper that will pull together all the key strands of thinking in this area to help create a coherent strategy on the development and growth of SMEs in Ireland. Rural and regional area are very important. Small and medium enterprises are the key factor in sustaining rural areas because they give people a job. The support provided by the organisations represented today is vital in helping people remain in rural Ireland. While achieving growth in our cities is good, it is not in their best interests, by a long shot, to focus on them and allow rural Ireland to decline and decay. The witnesses’ work is critical and their feedback to the committee is essential for the creation of a national uniform strategy for small and medium enterprises. They have already made valuable written contributions, which we have collated. The information they will share with the committee will add to that body of work. We hope to publish the report towards the end of January or in early February.

**Chairman:** That will depend on your good self, Senator.

**Senator Pádraig Ó Céidigh:** I and, more important, my parliamentary assistant, will do

our best.

**Chairman:** I invite Mr. Tomás Ó Síocháin, CEO of the Western Development Commission, to make his introductory remarks.

**Mr. Tomás Ó Síocháin:** Ar an gcéad dul síos, gabhaim buíochas leis an gCathaoirleach agus na Seanadóirí as an gcuireadh a thabhairt dúinn. As the newly-appointed CEO of the Western Development Commission, I am delighted, on behalf of the commission, to briefly cover some of the issues we raised in our submission. I will seek to give a sense of the role and work of the commission and the area it covers, which extends from County Donegal down to County Clare, the key issues and challenges facing the western region and some of the solutions that arise.

The Western Development Commission is a statutory agency charged with fostering and promoting economic and social development of the region extending from Donegal southwards to Clare. It is important to give some of the defining characteristics of the region. Some 65% of its population live in rural areas outside centres of 1,500 people, while 80% live outside urban centres with a population of more than 10,000. The key towns, as members will be aware, are Galway, Ennis, Letterkenny and Sligo. This discussion is important because it puts foreign direct investment in context. Small and medium enterprises are vitally important to the 80% of people in the western region living outside urban centres.

On the work done by the Western Development Commission, an analysis of census figures shows that in 2016, 54,000 SMEs and only 50 large enterprises were registered in the seven counties of the western region. Between 2008 and 2016, the number of active enterprises in the western region declined by 4.3%, whereas it grew by almost 4% nationally. Despite the recovery in enterprise numbers in recent years, all counties in the western region now have fewer enterprises than they did in 2008. A higher share of the western region's enterprises operate in sectors that rely on domestic demand, including construction, accommodation and food services, other services, wholesale and retail. This throws up specific challenges for medium-sized towns and villages in these rural areas. We addressed these in detail in our submission so I will only briefly touch on a number of them. As members would expect, connectivity is a key issue but we do not have any motorway north of Tuam. On broadband infrastructure, even when broadband is introduced take-up is an issue and this needs to be addressed. Mobile phone coverage, which is often taken for granted, is also an issue. Other issues include funding for regional seed and early stage venture capital funding, declining populations and the demographic of the western region and pressure from online retail. Sometimes we find that the isolation in networking opportunities is a challenge for SMEs.

Before I proceed to the work that we are doing, I will first note that the Western Development Commission is undertaking a strategic review. In this regard, the work of the committee is timely and we will take it into account as we look to the five years ahead.

Between 2001 and 2009, the Government provided €32 million for the western investment fund. This fund has grown and in 2017 the Western Development Commission invested about €4 million between seeding and venture capital funding. There is an investment fund for the creative industries known as the WRAP fund, a micro-loan scheme for the creative industries and we support accelerators in life science and ICT. This is almost a unique model in Europe. Over the lifetime of the Western Development Commission, it has invested more than €50 million and funded 150 enterprises, creating in the region of 5,000 jobs.

The Western Development Commission is active in policy analysis, analysing issues such

as those we are discussing in this submission, on which my colleague, Ms White, worked with me. In addition, we have the website, *www.lookwest.ie*, which changes the narrative around the west. Rather than focusing on some of the critical indicators I have outlined, it sets out the key advantages the west offers in terms of work-life balance, affordable living and the opportunity the area holds. We are also involved in sectoral EU co-funded projects in areas such as renewable energy and the creative industries as well as in new projects in tourism, the blue economy, aquaculture and business mentoring.

I will now address some of the challenges we have identified and some of the solutions we can offer. We have been very active in addressing the lack of regional seed and early stage venture capital. It is worth noting that in 2018, only 26% of venture capital funding in the State went outside the Dublin region. One project in Limerick accounted for 19% of all venture capital funding, meaning the rest of the country accounted for only 7% of the national figure. We need to incentivise risk-taking and private investment in the tax regime. This is vital for the work of the Western Development Commission and other agencies to because we need funding to be matched or balanced.

A pipeline of talent is another key challenge. We need to identify people who are available and match their education and skills. This is something that has been identified by foreign direct investment and large companies. However, it exerts pressure in turn on the smaller and medium companies because they cannot compete for that talent. In that regard, work is being done on the issue of structured and flexible working to allow people to work from home and on a flexible basis. This increases the attraction of SMEs and allows them to compete. The Western Development Commission is developing a tool to ensure this pipeline is developed and can be built.

Broadband has been mentioned several times today. I should highlight, in particular, the take-up of broadband and the options available to people when broadband comes to an area. Sometimes it is as important to do the follow-on work to ensure that when broadband becomes available, people understand all of the opportunities it offers. We are involved in this work. This issue needs to be viewed in the context of the need for SMEs to be active online and to compete with international markets and large international retailers.

We must ensure the metropolitan area networks are competitive and offer opportunity. Rural mobile phone coverage is vital and is often taken for granted. We must ensure it is no longer an issue in this day and age.

Without labouring the point, I will address the issue of transport. Analysis done by the Western Development Commission shows that within the western region, 72% of workers commute by car, compared with 65% nationally. Transport links are vital, as is energy infrastructure because it also attracts foreign direct investment. It also has a multiplier effect which gives SMEs the ability to leverage existing infrastructure to improve their opportunities to grow.

I thank my colleagues. As I am the incoming CEO, I acknowledge the work of those who have gone before me. As I mentioned, my colleague, Ms White, is with me today but I also thank my other colleagues in the Western Development Commission. The challenges that face SMEs are not only economic problems. As Senator Ó Céidigh pointed out, they are the platform on which social life and communities can grow. Sustaining jobs is important for communities so the importance of sustainable employment cannot be overstated. Ar an mbonn sin, ba mhaith liom mo bhuíochas a chur in iúl don choiste in athuair agus a rá go bhfuil an Coimisiún Forbartha an Iarthair tiománta go huille is go hiomlán chun na hoibre seo le cinntiú go mbain-

fimid na spriocanna seo amach.

On collaboration, I am keen to have the Western Development Commission work with other State agencies in joining the dots and communicating because many State supports are available. The State agencies should work together to make people aware of these supports. We should be cohesive and act in concert with each other to meet the challenges I have outlined and I am sure my other colleagues will outline today.

**Mr. Micheál Ó hÉanaigh:** Táimid thar a bheith sásta an deis seo a fháil ó na Seanadóirí agus an Cathaoirleach a bheith anseo ag labhairt thar cheann Údarás na Gaeltachta, an t-eagrais forbartha réigiúnach a bhfuil freagracht aige as forbairt eacnamaíoch, sóisialta agus cultúrtha na ceantacha Gaeltachta tríd an oileán. Táimid mar eagraíocht freagrach as réigiún atá ag síniú ó Dhún na nGall síos go dtí Port Láirge agus trasna go Contae na Mí, le píosaí de seacht gcontae ar fad a bhfuil daonra de 100,000 duine ann agus ar ceantacha tuaithe imeallacha iad don chuid is mó.

Tá dhá príomhchuid den straitéis atá againn, taobh amháin atá dírithe ar caomhnú agus cur chun cinn na Gaeilge agus an cultúr agus tá sé sin fíor-thábhachtach dúinn. Is é an taobh eile ná cur chun cinn nuálaíocht agus fiontraíocht agus tá sé mar aidhm againn cultúr láidir fiontraíochta agus nuálaíochta a chur chun cinn faoi na ceantacha Gaeltachta ag cumasú foireann agus lucht saothair na Gaeltachta agus ag baint tairbhe as na hacmhainní saibhre atá againn faoi na ceantacha Gaeltachta go léir.

Tá taithí fada againn mar eagraíocht ag plé le comhlachtaí beaga agus meán mhéide. Tá eolas againn thar na blianta ar na riachtanaisí éagsúla tacú agus tugaimid tacaíocht suntasacha do na comhlachtaí seo, comhlachtaí dúchasacha agus comhlachtaí a thagann isteach ón taobh amuigh.

Is féidir a rá go bhfuil an ról againn sa Ghaeltacht agus atá ag eagraíochtaí cosúil le IDA Ireland, Enterprise Ireland, na local enterprise offices, LEOs, agus eile taobh amuigh den Ghaeltacht, go bhfuil siad sin ar fad faoinár gcúram. Is comhlachtaí a fhostaíonn níos lú ná deichniúr iad 83% dár gcuid cliant-chomhlachtaí, sin 752 gnó ar fad. Tá os cionn 19 cliant-chomhlacht ar fad againn a thugann fostaíocht lán-aimseartha do 7,503 duine agus fostaíocht páirt-aimseartha do 615 duine. Bhí sé sin ag deireadh na bliana 2017. Tá 97% dár gcuid cliant-chomhlachtaí a bhfuil níos lú ná 50 duine fostaíthe acu agus tá siad sin ag soláthar 60% den fhostaíocht iomlán atá againn.

Taispeánann sé sin go bhfuilimid dírithe go príomha ar chomhlachtaí nó gnóthaí atá beag agus tá na comhlachtaí seo lonnaithe sna ceantacha Gaeltachta, ceantacha atá imeallach agus ceantacha tuaithe, mar a dúirt mé. Tá cleachtadh maith againn a bheith ag plé le fiontraithe atá ag dul i ngleic agus ag déileáil le na cúinsí uilig a bhaineann leis an iargúlacht seo, ach é sin ráite, is féidir a rá go bhfuil ag éirí go han-mhaith le na comhlachtaí seo agus go bhfuil samplaí an-mhaith de chomhlachtaí a bhfuil ag éirí go fíor-mhaith leo. Ag tacú le fiontraithe agus gnóthaí, bímid i gcónaí ag obair le spreagadh a thabhairt dóibh agus le deiseanna a thabhairt dóibh trí na tacaíochtaí éagsúla a thugann muid i bhfoirm deontaisí, traenála, deontaisí caipitil, deontaisí fostaíochta, táimid in ann scarranna a chur isteach i gcomhlachtaí, cuirimid an scéim líon i bhfeidhm agus déanaimid taighde agus forbairt.

Táimid ag iarraidh gach deis a thógáil chun éascaíocht a dhéanamh agus an riosca a laghdú do na comhlachtaí a bhfuilimid ag plé leo. Tá sé fíorthábhachtach go mbeadh muid ag cur comhairle agus saineolas ar fail ónár n-eagraíocht féin nó ó eagraíochtaí eile. Tá comhoibriú



an-mhaith againn le heagrais cosúil le Fiontar Éireann agus an Western Development Commission. Luaigh an cainteoir romham comhghuaillíocht agus pairtnéireacht. Tá sé sin lárnach i ngach rud a dhéanann muidne. Tarraingimid ar na háiseanna agus na hacmhainní go léir gur féidir linn chun buntáiste a fháil dár gcuid comhlachtaí. Is dóigh gurb é an rud atá i gceist ná go mbeadh muid ag méadú an chumais sna comhlachtaí, a gcumas tairgeachta, airgeadais, díolacháin, margaíochta, agus logistics san áireamh. Tá siad seo uilig fiorthábhachtach.

Tá cúrsaí bunstruchtúir fiorthábhachtach sna ceantair a bhfuil muid ag déileáil leo. Tá tábhacht ar leith ag baint le bunstruchtúr a chur ar fáil sna ceantair imeallacha seo a bhfuil muid ag baint leo. Tá dúshlán ar leith ann agus muid ag iarraidh bóithre, uisce agus séarachas den chaighdeán is airde a bheith ar fáil. Tá sé an-tábhachtach go mbeadh foirgnimh de chaighdeán maith ar fáil sna ceantair tuaithe seo. Is deacracht é sin mar níl an earnáil phríobháideach le dul ag teacht isteach agus an riosca a ghlacadh foirgnimh, réamh-mhonarcháin, ná réamh-oifigí a chur i gceantair tuaithe. Bíonn ar Údarás na Gaeltachta é sin a dhéanamh mar ionadaithe an Stáit. Agus é sin ráite tá sé cruthaithe gur féidir le cliaint forbairt agus gur féidir linn cliaint a mhealladh isteach nuair a chuireann muid na foirgnimh in áit. Tá samplaí den chéad scoth againn ar fud na Gaeltachtaí de chomhlachtaí dúchasacha a d'fhás faoi go raibh na háiseanna seo ar fáil agus de chomhlachtaí a raibh muid in ann a mhealladh isteach ón taobh amuigh.

Is dúshlán an-mhór a bhfuil muid ag déileáil leis sna ceantair tuaithe ná an leathanbhanda. Tá sé fiorthábhachtach go mbeadh an ceangal ann, go mórmhór do na comhlachtaí beaga a bhfuil muid ag déileáil leo atá ag brath ar an tseirbhís leathanbhanda a bheith curtha ar fáil dóibh. Tá sé riachtanach sa ghnó atá acu. Go mórmhór i gcomhthéacs na béime atá ag teacht ar rudaí ar nós trádáil ar líne tá sé fiorthábhachtach nach mbeadh comhlachtaí i gceantair imeallacha tuaithe ar a ngannchuid mar gheall ar an imeallachas sin. Tá sé fiorthábhachtach go mbeadh siad in ann leas a bhaint as an leathanbhanda chomh maith le daoine istigh sna bailte móra agus áiteanna níos lárnaí.

Ceann de na rudaí atáimid ag déanamh chun dul i ngleic leis sin ná go bhfuilimid ag bunú an gréasán gteic do mhoil digiteacha, ná digital hubs, ar fud na Gaeltachtaí éagsúla. Beidh 30 láthair againn a chinnteoidh go mbeidh spás oifige agus teacht ar sheirbhís leathanbhanda den chéad scoth. Sin cuid dár straitéis ag iarraidh nualaíocht, fiontar agus an cianoibriú a chur chun cinn sna ceantair seo. Tá caighdeán maireachtála an-mhaith againn sna ceantair tuaithe Gaeltachta seo. Táimid ag iarraidh daoine a mhealladh abhaile lena gclanna le postanna a ghlacadh, gnólachtaí a thosnú, agus a gcuid postanna a thabairt abhaile leo mar chianoibrithe. Cuideoidh na moil digiteacha seo linn é sin a dhéanamh.

Tá an talann agus scileanna fiorthábhachtach le gnólachtaí a bhunú agus do na comhlachtaí atá lonnaithe sna Gaeltachtaí chomh maith. Tá sé fiorthábhachtach go mbeidis in ann teacht ar an talann agus na scileanna. Bíonn muid i gcónaí ag obair le daoine óga a mhealladh. Bímid istigh sna scoileanna lenár gclár comhlachtaí agus junior achievement. Bímid ag cur scéimeanna forbartha bainistíochta ar fáil agus ag cur scoláireachtaí ar fáil do scoláirí le scileanna a fháil. Táimid i gcónaí ag obair le cumasú a dhéanamh le cinntiú go mbeidh daoine ann le na postanna a ghlacadh.

Tá ag éirí go maith linn comhlachtaí a mhealladh isteach sa Ghaeltacht ach tá sé fiorthábhachtach a chinntiú go bhfuil na daoine lena scileanna ceart ann agus is dúshlán é sin. Bhí an brain drain i bhfeidhm go mór sa Ghaeltacht, go mórmhór le linn an lagthrátha. Táimid anois ag obair trí thogra diaspóra na Gaeltachta le cuid de na scileanna sin a mhealladh ar ais agus táimid ag iarraidh a bheith ag tógáil scileanna. Tá folúntais againn i go leor de na comhlachtaí atá againn. B'fhéidir go mbíonn daoine ag breathnú ar na rátaí dífhostaíochta ach caithfear cui-

mhniú go mb'éigean go leor daoine imeacht agus go bhfuil muid ag dul i ngleic agus ag obair le comhlachtaí le na daoine a fháil le cinntiú go mbeidh siad in ann leanacht ar aghaidh chomh héifeachtach agus is féidir sna ceantair Ghaeltachta.

Is ceantair tuaithe is mó a bhfuil muid ag déileáil leo, mar a dúirt mé. Tá míbhuntáistí ag baint leis sin ach tá buntáistí móra ag baint leis chomh maith ó thaobh an chaighdeáin maireachtála. Chomh maith leis sin tá go leor dár straitéis fiontraíochta bunaithe ar fhorbairt acmhainní nadúrtha na Gaeltachta. Cuirimid an-bhéim ar acmhainní mara, acmhainní turasóireachta, acmhainní teanga agus cultúrtha, agus ar rudaí ar nós an fhuinnimh in-athnuaite. Táimid ag obair le comhlachtaí chun cabhrú leo breis luacha a bhaint astu seo ar fad. Tá na foinsí bunábhair ansin más feamainn é, más bradán é, más cúrsaí turasóireachta é, nó más é an teanga é. Tá na bunábhair ansin agus táimid ag obair le comhlachtaí le gur féidir leo breis luacha a bhaint as sin. Tá an múnla oibre seo atá againn maidir le fiontraíocht áitiúil agus na hacmhainní nadúrtha aitiúla ag oibriú dúinn agus ag cruthú an fhostaíocht sin a luaigh mé níos luaithe.

Tá ár straitéis atá leagtha amach dúinn don trí bliana seo ó 2018 go 2020 dúshlánach go maith. Táimid ag iarraidh 1,500 post nua a chruthú le linn an achar sin. Tá an chéad bhliain de sin caite agus táimid ag baint amach na cuspóirí. Táimid ag iarraidh in áit 7,500 post lánama a bheith ar an talamh go mbeidh 8,000 post lánama ar an talamh faoi dheireadh 2020. Táimid ag cur roinnt tosaíochtaí straitéiseacha chun cinn. Luaigh mé gteic agus na moil digiteacha. Luaigh mé an diaspora mar thogra straitéiseach. Táimid ag forbairt branda Gaeltachta le haitheantas a thabhairt do na rudaí maithe go léir atá ag tarlú sa Ghaeltacht agus le cabhrú linn an scéal a fháil amach ansin. Táimid ag tabhairt faoin turasóireacht mar rud straitéiseach agus táimid ag tabhairt faoi Pháirc na Mara mar thogra straitéiseach in iarthar Chonamara a bheas ag díriú ar gach ghné de bhreis luacha agus taighde ó thaobh chursaí mara.

**Chairman:** Before calling our next speaker, I welcome Deputy Fergus O'Dowd to the Gallery. We have two together speaking for Irish Rural Link, Mr. Seamus Boland and Mr. Noel Kinahan. They are sharing a few minutes each.

**Mr. Noel Kinahan:** Mr. Boland will be speaking on behalf of both of us.

**Mr. Seamus Boland:** I thank the Chairman and the Members of the Seanad who are present. I also thank Deputy O'Dowd in the Gallery and my colleagues. I thank all for being here and for inviting Irish Rural Link. I will not go through the full statement. The committee already has that so it is on record. To put it into context, Irish Rural Link is a community organisation founded in 1991. We have the honour that one of our founding members, Michael D. Higgins, is now President of Ireland. We are glad to say that he has kept in touch with the work we do.

In a line, Irish Rural Link is about sustainable rural communities. If we take nothing else from that, we remember that phrase. Under our remit we have a wetlands forum, which is designed to maximise employment and the social and economic advantage to the area from wetlands and bogs, which are now coming into the news. We also have the scheme for refitting houses which we organise with the Sustainable Energy Authority of Ireland, SEAI. This allows ordinary rural houses, which are extremely unsuited to the challenges arising from the current carbon debate, to refit under the aegis of the SEAI. We also have the meals on wheels network, which is one of the most important groups in the country. The incredible work done mainly by women who deliver meals on wheels to people who are housebound is to be seen on every boreen from Donegal down to Kerry. The groups also run befriending services. Many lives are saved by these women who, in delivering a meal, discover that a person needs a lot more. These groups have to be brought together and we compliment the Minister of State, Deputy Jim

Daly, on his work in that regard.

In terms of digital hubs and so on, in conjunction with the Department of Communications, Climate Action and Environment we run a major programme of computer training. This provides free training on computers which allows people to go online. It is essential given the isolation in rural areas. We are also involved in policy advocacy, which the committee will see in our submission on banking. We are also involved in advocacy on broadband, which as my colleagues have already pointed out, is one of the major infrastructure projects required in rural Ireland if we are to make any fist of keeping people at home and, more importantly, working because the biggest problem we face is that younger people are not staying in rural Ireland. They are gravitating to where the jobs are. The real jobs seem to be more in the cities, unfortunately; for most families, including my own, more of the younger people are in Dublin than where they were reared. That is a real problem we need to tackle very quickly.

On the economic model, what we have put forward is based on our studies with the Sparkassen in Germany, which are local, regional, not-for-profit banks. Some Members of the Oireachtas have visited Stuttgart. It is a hub in terms of creating employment in a very wide region. It is a hub because the 200 year old local public bank is effectively the driving force. We have a problem; some of the figures were cited by my colleague in the Western Development Commission. We have had a decline in small business of, I think, 4%. Nearly every single job created in rural Ireland is in a small to medium-sized enterprise. We are talking about as few as five people working in a business. The worst thing we can hear is that this area is declining.

As the credit review report which monitors lending into the region points out, there is a high rate of credit refusal. The figure for the exact rate varies; according to ISME, it is around 36% while the credit review committee says it is 11.8%, which is the highest in Europe. We have to ask ourselves how long small businesses can continue to apply for funding only to find themselves refused or for the process to take so long that even when they appeal and are successful, the time for the business plan or the idea is gone. We have had members come to us to say they cannot even get cashflow support.

Instead of Irish Rural Link complaining about what is not happening, we have put forward a definitive proposal on how rural banking can be established, particularly examining local banking which could apply to the Dublin area as well. We put three years of research into this. There is now a stakeholders forum coming together. We believe and hope that hurries up and the terms of reference are published. We need it now. The gap between rural parts of Ireland and the cities is widening and will continue to widen.

We have made it very clear that broadband is the infrastructure, the blood and the reality in terms of creating up to 10,000 jobs. I think it was the former Taoiseach, Deputy Enda Kenny, who conservatively suggested it would create 10,000 jobs per month, yet we are still not delivering that programme. We really cannot allow any excuse, no matter what it is, to delay that process. On economic development, we had the 2040 launch by An Taoiseach, Deputy Varadkar, not too long ago. This plan goes right back to the Buchanan report, back in the 1960s under Seán Lemass. Had that report been implemented, it would have completely changed rural Ireland. The 2040 plan is the nearest thing to it but it needs injection of funding. It needs investment. It does not always have to be taxpayers' money but we have not yet managed the mechanisms to bring funding into the regions so they can become economic hubs.

I ask the committee to reflect on this. Rural Ireland is often depicted as always whinging and looking for more taxpayers' money. We see this in the portrayal of those of us who strongly

fought against the carbon tax. It is not that we are climate deniers. We want a taxation system that does not bleed people more than they are already bled, that does not penalise people or stop them from taking up jobs, that allows people live in homes where fossil fuel is the only cheap fuel available, and does not allow them to die with the cold. One of the things that would have happened had it been introduced is that older people who already do not use their energy enough would allow themselves to be even colder. The Central Statistics Office shows that four people a year die with the cold in rural Ireland.

Can we look at the 2040 report and get serious about developing regions? Can we get serious about attracting investment into the regions and about reforming our banking system? I hope the rapporteur, Senator Ó Céidigh, will also consider these questions in his report. Rural Ireland does not want to be dependent on anybody but it does need support it has not been getting. I thank the committee sincerely and hope it takes our submission into account.

**Mr. Breannán Casey:** As I am speaking on the regional enterprise side, I am conscious that some of my submission is very much from a national perspective. I am going to skip over some parts. Listening to my colleagues from Donegal and Galway, we might think there are differences but there are a lot of similarities as well.

The Mill Enterprise Hub is based in Drogheda, County Louth, the largest town in Ireland. We are not considered a rural town and should not be but we have the same issues when it comes to living and working. It is not sustainable for Drogheda to be a commuter town. Towns right around the Dublin region are blighted by commuting. It affects business and the quality of life in communities if people are coming home at half past seven, eight or nine o'clock at night and are stuck in traffic for an hour and a half each way every day. Productivity levels go down. I am going to focus on the commuter region even though Drogheda would be considered to be in the north-east region.

The Mill Enterprise Hub was set up five years ago. We are a registered charity with a board of voluntary directors. We had support from Enterprise Ireland, the local enterprise office and Louth County Council. We currently have over 30 companies based with us, with 83 employees. The vast majority are micro-enterprises, one or two-person operations. We also have emergent foreign direct investment companies. According to the 2016 census, Drogheda has the largest population of any town in Ireland at just over 40,000. Until the Mill Enterprise Hub was created, there was no viable enterprise centre in Drogheda. We have a long history of industry but we wanted to upskill and target more digital-oriented companies. We have been very successful in that. Drogheda is about 50 km north of Dublin. There is still a lot of confusion about where we are based as people tend to confuse Drogheda and Dundalk. We feel we can emulate other cities and become a focal point for entrepreneurship in the region. The three largest towns in Ireland, Dundalk, Navan and Drogheda, are all in close proximity to each other. We all suffer from the same issues in respect of brain drain going in to Dublin every day. It is critical that we counteract that and the Mill Enterprise Hub has done so with various programmes.

Over the last four or five years we have developed a range of programmes. We have pushed for the M1 payments corridor, which was in the North East Action Plan for Jobs, which aims to develop a FinTech hub in the north east right across Louth, Meath, Cavan and Monaghan. We have had the Illuminate female entrepreneurship programme, in which we partnered with DCU's Ryan Academy. We had a Drogheda young innovators programme and have worked on a start-up gathering with Enterprise Ireland.

I also want to compliment some of the existing supports, hubs and start-ups. There has been

a very strong support for start-ups over the past few years. We work closely with Dundalk IT, DCU, the Guinness Enterprise Centre and the National Association of Community Enterprise Centres. There is a willingness to support each other. Even within the small area of County Louth, under the Louth economic forum we have been strong on having the key enterprise centres working with each other to make sure we are not duplicating each other's activity.

I want to go through some of the challenges, quite a few of which deal with funding and are national challenges and not unique to Drogheda or the commuter towns of the north east. We have more familiarity with Brexit issues due to our proximity to the Border. Access to funding is still the major issue. SMEs still have a great deal of difficulty with the banks. We have come across a few companies, across all regions, that have had issues accessing funding under the employment incentive initiative, which is taking too long, with no guarantee at the end that funding will be approved. On the start-up tax relief for entrepreneurs, SURE, again, companies have had issues in applying and due to the criteria being too restrictive. In most cases, they have failed to secure the funding. Cash flow assumptions are a massive issue that was dealt with at a previous committee session. When it comes to cash flow and cash being king, SMEs still have a poor understanding of this and we would like more support for companies.

With regard to management skills in regard to recruiting and retaining employees, a point raised by colleagues from the Western Development Commission, one of the issues is that SMEs have to compete with larger companies, which is not easy. Since we made our submission, there has been some change to the key employee engagement programme, KEEP, in the recent budget but it is still an issue. Visas have also been an issue, not just for FDI companies but also for SMEs. Where a company is looking for visas for key overseas workers, it is taking too long to get them.

One of the questions was about poor communications with State agencies. In our experience, and we work with Louth and Meath LEOs, which have representatives on our board, SMEs that engage with the enterprise support agencies get support, whether that is financial or advisory, but there is still a lack of knowledge on who to go to and when to go to them. There is still a perception that companies will be sent to the wrong person or that the application processes are too long. This leaves an opportunity for the community enterprise centres. I mentioned the National Association of Community Enterprise Centres. Many of the regions have strong community enterprise centres and there is an opportunity for them to take on more responsibility. In the past, some community enterprise centres did not receive funding grants from Enterprise Ireland for key staff, which will be crucial going forward.

On commuter issues, I agree with Senator Ó Céidigh that the cities cannot take all the business and there is a need to prioritise regionalisation. However, I urge the committee not to group all the east coast counties together. The issues in Wicklow, Kildare and Louth are different from those in Dublin, although, much of the time, my colleagues in those counties see the focus moving to the west or the north. If we want to develop sustainable communities, there has to be the right work-life balance.

The 2016 census showed that 200,000 commuters spend an hour or more commuting, an increase of 50,000 since 2011. In Laytown-Bettystown, an area close to Drogheda, 28% of the workforce is commuting more than 60 minutes every day while it is 42% in Skerries, 28% in Naas, and 36% in Balbriggan. This is clogging up the systems and is bad for the environment and productivity. It is bad for Dublin-based businesses that people are stuck in traffic, as well as being demotivational for staff. A more proactive approach to some of the commuter towns is needed. While the unemployment rate may be lower than in some rural towns, which is great,



in the long run this is detrimental to society and to developing proper communities.

As a solution, we suggest the reverse commute, which is probably not too dissimilar to the WDC's LookWest scheme. This concerns the promotion of activities and programmes across the region, whether in Louth, Meath, Kildare or Wicklow. There is probably a little bit of fear in SMEs and start-ups that they will not get the supports if they are outside the city. That is the crucial part.

I have a couple of other issues. The question of suitable office accommodation was raised.

**Chairman:** Mr. Casey is out of time.

**Mr. Breannán Casey:** I will conclude. Two other issues for SMEs are bad debts, which is still a massive issue, and employer's liability insurance. In summary, the two issues I would like conveyed to the Minister are that commuter towns offer an alternative to some of the larger cities and that community enterprise centres across Ireland should be used more proactively. I believe that is a massive opportunity for the regions.

**Chairman:** We welcome the officials from the Department of Business, Enterprise and Innovation's indigenous enterprise, digital and finance division. I invite Mr. Eoghan Richardson to make his statement.

**Mr. Eoghan Richardson:** I thank the committee for the opportunity to contribute on the matter of SMEs in Ireland on behalf of the Minister, Deputy Humphreys, and the Department of Business, Enterprise and Innovation. The Minister sends her apologies but she could not attend. The Department's supports for SMEs include access to finance, management development, mentoring supports, business development programmes, market supports and trade promotion, in addition to a range of impressive regulatory and oversight functions. The Minister stated in her speech following the budget that her three priorities are Brexit, regional growth and innovation. We are supporting her goals and supporting SMEs. I would like to draw the committee's attention to the Department's work with the OECD on a country review of SME policies and issues which will result in a roadmap for SME policy and a subsequent SME strategy for Ireland. I would also ask the committee to note that this review has an entire section focused on reviewing the regional SME perspective. We will be in a position to share this report with the committee before summer 2019.

The attractiveness of the business environment for SMEs is measured in the European Commission's small business fact sheet. Since 2008, Ireland has made substantial progress in implementing the EU's Small Business Act policy roadmap. Ireland performs above or well above in eight of the nine principal areas, including entrepreneurship, responsive administration, public procurement, access to finance, Single Market skills and innovation.

To focus more on the regional perspective, since 2015 the regional action plan initiative has been a central pillar of the Government's ambition to create 200,000 jobs by 2020, with 135,000 of these being outside Dublin. There has been an increase in employment of almost 12% from quarter 1 of 2015 to quarter 2 of 2018. Three out of five of these jobs have been in regions outside Dublin. The plans are monitored and driven in each region by implementation committees made up of representatives of the private sector, local authorities and enterprise agencies, and are chaired by a senior industry representative. In April of this year, the Minister asked the regional action plan committees to lead a refresh and refocus of their action plans. This refresh is about introducing a more focused strategic and collaborative approach. The

plans are intended to be completed by the end of 2018 and launched in early 2019.

Regional development and Brexit are significant components of Enterprise Ireland's SME supports. The Department, through Enterprise Ireland, has rolled out a €60 million regional enterprise development fund for new initiatives in the area of entrepreneurship, clustering, innovation hubs and other enterprise infrastructures to incubate and grow new start-ups and deliver new job creation projects. To ensure a balanced regional spread, the Minister is committed to ensuring that each region will benefit by at least €2 million from the overall fund. Much like the committee's focus on bringing the spotlight on to SMEs, the Department has extensive engagement with SME stakeholders. We have increased our outreach events, such as Getting Ireland Brexit Ready and Taking Care of Business, where SMEs can find the supports available and, more important, talk to the people who operate these supports. We have a first-stop shop, an online tool at [www.supportingsmes.ie](http://www.supportingsmes.ie), which is very useful.

The 31 LEOs provide a first point of contact to all enterprise related inquiries nationwide. The LEOs strive to create and maintain client centred business networks and assist in developing progression paths to Enterprise Ireland's high-potential start-ups and established industry departments. The LEOs also run the Irish Best Young Entrepreneur competition, which has a €2 million investment fund and helps young entrepreneurs turn their business ideas into reality. As was mentioned, finance is key for the development of all stages of business, be they start-ups, expanding or more mature SMEs. The developer is leading in conjunction with the wider government in providing a variety of financial supports to suit the needs of these SMEs. Some of these include the Brexit loan guarantee scheme, which was launched in March of this year with a fund of €300 million and operated by the Strategic Banking Corporation of Ireland, SBCI. By the end of September 2018, 200 firms had made successful applications. Recently the Minister announced a longer term, €300 million future growth loan scheme for loans of up to ten years.

The credit guarantee scheme incurs additional lending to SMEs by offering a partial Government guarantee to banks against losses and qualifying loans and so far the sanctions have been facilitated to €93.9 million. On a smaller scale there is Microfinance Ireland, which is set up to provide loans to microenterprises that have been refused bank finance and as at the end of quarter 3 2018, they have lent €26.7 million to individuals, supporting more than 4,400 jobs. The Enterprise Ireland seed and venture capital scheme established to increase the availability of risk capital for SMEs and, as of 2018, it committed €510 million which has raised a total of €1.19 billion in seed and venture capital funding.

Ireland has a strong and burgeoning SME base, which compares well with the international counterparts in terms of entrepreneurship and innovation. Our business environment for them also compares favourably overall. There is room for improvement and we are aware of the issues that are raised here today. We welcome the committee shining a light on indigenous SMEs. The Department will ensure that Ireland has the most competitive environment for starting, growing and scaling SMEs and I particularly thank Senator Ó Céidigh for his invitation to come before the committee.

**Chairman:** I thank the witnesses for their presentations. We will now take brief questions from Senators and I ask everybody to keep their questions and answers short and to the point.

**Senator Gerard P. Craughwell:** Tá Gaeilge an Uasal Ó hÉanaigh go hálainn. Tá mo Ghaeilge féin uafásach agus mar sin beidh mé ag caint as Béarla.

I grew up in Galway and accompanied my father who fitted gas tanks to heat the Údarás advanced factories. The work of Údarás na Gaeltachta has been exceptional and they must be commended for that work and for the commitment particularly to Gaeltacht areas in Ireland.

I am bothered by the skills shortage in the west. One knows when one leaves the road in Mullingar or when one gets the motorway to Galway but if one heads towards Tuam, one will know one is in rural Ireland. I drove right through it in 2016 to explore the area. One can see the villages and the towns where there are people who are committed to long-term sustainable development and one can see the towns that are dying on their feet.

I am looking at how we are tending to pull skills into an area. I single out Michael Hannon, as the registrar in GMIT for the development of Letterfrack industrial school. I contrast that with the former catering school up in Killybegs, which has been transferred to Letterkenny. When one pulls out an organisation, one pulls out the economic funding that goes into the area.

The original ETB legislation provided for the type of microfinance that we are talking about for start-ups. However, as the legislation went through the system, the microfinance element was lost, which is a pity.

Do the witnesses see a role for ETBs in developing skills-based courses which are bespoke for the area in which they are in? Will they provide employment for the area? As an example one could have pottery in one area, sculpture, or something else in another, do the witnesses see a benefit in that?

I am bothered by the provision of terrestrial-based broadband. Most advanced countries and countries that are advancing are moving from terrestrial to Wi-Fi systems. I am interested in views on that.

I compliment the Department, which has done an excellent job.

My background is the Teachers' Union of Ireland, TUI. When we started to develop technological universities, I was deeply concerned that we were throwing out the child with the bath water. Regional technical colleges were originally put in place with a mandate to develop bespoke programmes to develop industry in their local area. Do the witnesses have the same concerns that have as we move forward with the new higher technological universities? Are we leaving a gap?

**Senator Rose Conway-Walsh:** I apologise for being not present all day, but Senator Frances Black, myself and others attended the Ballymurphy massacre inquests. The families have waited 47 years for this day.

The small companies that I am come in contact with all the times are being excluded from tendering for business which would make their businesses more viable and allow the growth and development they need. I refer to disruptive technology innovation fund and the process around it and whether one can appeal a decision. The reason I ask is that one particular business I know has disruptive technology and should fit the criteria but is being refused. There is no appeal process open to the business. That makes no sense. If this business moves from the west to another country, he can avail of it, but not while located in the west.

Is data on the number who are refused access to the funds that the agencies operate retained?

I thank the witnesses attending and I will read their submissions.

**Senator Pádraig Ó Céidigh:** First, I commend the Minister and her official, Mr. Eoghan Richardson, on the work they have done. The Department is proactive and introduced a Brexit loan scheme a year ago.

I would like a stronger unilateral focus on SMEs and one of the issues that might be considered by the committee is that we would have a Minister who would focus on SMEs to correlate them. A number of Government agencies and Departments focus to some degree on SMEs in areas from tourism to agriculture. I refer to agencies like Bord Iascaigh Mhara. I have a couple of questions for the various witnesses. What are the three most significant challenges faced by Mr. Ó hÉanaigh and Ms Ní Fhátharta of Údarás na Gaeltachta as they seek to foster SMEs and help them to grow in Gaeltacht areas? That question applies also to The Mill Enterprise Hub, which is at an earlier stage, and to the Western Development Commission. Does Mr. Ó Síocháin of the commission have any suggestions or recommendations on the key question of how we can encourage talent to come back into rural Ireland? My final question is for Mr. Boland of Irish Rural Link. Quite frankly, I found his contribution most valuable from my perspective. He mentioned the Sparkassen bank in Germany. In his view, what would a local public banking model for regional Ireland look like?

**Senator Máire Devine:** We have been trying to address the issue of public banking in this Chamber, but we are not getting very far. I want to ask the officials from the Department of Business, Enterprise and Innovation about worker co-operatives, an issue I have raised previously. A significant proportion of GDP in many countries across Europe benefits from worker co-operatives. It accounts for 13% of GDP in Sweden, 16% of GDP in Switzerland and a whopping 21% of GDP in Finland. Scotland has seen significant progress in its co-operative sector since the Scottish co-operative development unit was established. Our co-operative development unit was closed down in 2002. Instead, we have zoned in and focused on foreign direct investment, but that is no good to the small businesses of the indigenous population. We need such businesses to grow. I keep pressing home the fact that there has been a significant shift in the public mindset. People want to reduce their carbon footprint and buy Irish products from indigenous small businesses. That is something we need to advertise constantly, especially because the younger generation is more socially aware and more environmentally aware. It has to be tacked onto everything the Department does from a promotional perspective. Will the officials from the Department comment on what Ireland can learn from Scotland's positive growth in the SME co-operative sector? Do they believe we should re-establish our own co-operative development unit to support SMEs, especially in rural areas?

**Chairman:** I invite Mr. Richardson to respond to Senator Devine.

**Mr. Eoghan Richardson:** I will pass it onto my colleague, Ms Gray.

**Ms Wendy Gray:** Perhaps I will answer the Senator's question about co-operatives by speaking about enterprise policy in general. We do not encourage companies to take any particular legal form. It is up to the companies themselves to take such decisions. We would not focus on any particular legal entity. As part of our efforts to build strength and resilience, we try to focus on companies getting together. We believe in strength in numbers. We try to build awareness of the importance of sharing information and innovation. We focus on clustering and network-building as ways of trying to get companies together so they can learn from one another. While we do not focus on co-operatives, we are absolutely focused on bringing companies together to share their knowledge and try to strengthen their businesses.

**Chairman:** At least one question was addressed to Mr. Boland.

**Mr. Seamus Boland:** I was asked about public banking. Our proposal makes it clear that there is room in Ireland for eight regional not-for-profit banks, each of which would be an independent entity. I will set out the rules that would govern how they work. Each of them would have to serve a population of at least 250,000. In terms of governance, each of them would have an overview board to make sure they uphold the principles of public banking, including relationship-based banking that does not necessarily rely on computer algorithms to tell people whether they qualify for credit. I am talking about the kind of relationship-building that used to happen in the ACC, which I mention to remind the committee that we had this kind of banking in this country in the past. We should not be afraid of it. We should not be afraid that it will step on mainstream banking. It will complement the credit unions. The whole purpose of the kind of banking we have proposed would be to lend money, mainly to the SME sector but also as mortgages. These banks should not get involved in the kind of lending, including personal lending, which is done by the credit union movement at present. When this kind of banking has established itself - we have said that each entity will begin to turn a profit after five years - it will begin to regenerate the money into the region.

If the members of the committee cannot go to Stuttgart or any other part of Germany, I ask them to examine how just one of the many hundreds of banks in Germany has developed the economy in its local region by working with all stakeholders rather than against them. It is on record that when the world's banking system failed, the only type of banking that still survived was local public banking in Germany. I think Angela Merkel had to go a long way to come around to the view that this is the right system. She realised that the German small enterprise sector was actually very lucky to have had this kind of banking. We would have been very lucky if we had had it. The figures outlined by my colleague from the Western Development Commission would certainly look very different if we had this kind of economic hub. I remind Senator Ó Céidigh that we are talking about creating an economic hub in each of the regions as part of the Government's Project Ireland 2040 plan. We are proposing a similar system to that which existed some years ago with the ACC and the ICC. It is nothing to be afraid of. It is a challenge. If we do not live up to this challenge, we will be talking about the decay of Ireland in 20 years' time.

**Chairman:** Would Mr. Ó hÉanaigh like a brief focal scoir?

**Mr. Micheál Ó hÉanaigh:** Ceart go leor. Roinnfidh mé féin agus Ms Ní Fhátharta eadrainn an freagra ar na pointí atá déanta. A question was asked about the skills that are absolutely vital to the companies we are developing and supporting in Gaeltacht areas. We are trying to reverse the brain drain, to one extent. We are also trying to get young people who are still at school to focus on the careers that are coming on line through the companies we are attracting and developing through natural resources and so on.

Senator Ó Céidigh asked what we are doing to attract people back. We have a Gaeltacht diaspora project. We have a very good quality of life in terms of culture, environment, safe areas and so on. We now have the companies as well. Radox in Dungloe is a very good example of that. It could be situated anywhere on the island of Ireland or anywhere in Europe, but those involved decided to locate in Dungloe. Highly qualified people with good skills and good experience are willing to return home to work in Radox. I think it is a good model to show that rural areas can support these types of companies if we work to get them in, develop the infrastructure and attract people back. We work in close co-operation with all the education and training boards, including Galway and Roscommon Education and Training Board, on the development of skills. They are absolutely vital to us. They have a key role in working with us



to provide apprenticeships and skills to companies.

We also work very closely with the institutes of technology, which are good partners of ours as we aim to focus on certain sectors. I mentioned earlier the example of Páirc na Mara, which is a key project for us as we seek to develop added value in the marine sector through research, innovation and incubation. We are working on that project in partnership with Galway and Roscommon Education and Training Board, NUI Galway, Galway-Mayo Institute of Technology, Foras na Mara, Bord Iascaigh Mhara, Galway County Council and Teagasc. All of the stakeholders in the project are bringing their skills and their ability to develop research and skills, etc., to the table. The partnership is there. It is absolutely vital that we are working together to provide these skills from the bottom up. We are working in schools and colleges. People who had to leave are being attracted back to the region to set up their own businesses or to work in companies. I have to say on behalf of my close colleagues in Letterkenny Institute of Technology that the facility in Killybegs is very much alive and well. A great effort has gone into keeping that open. It is vitally important to that part of Donegal. A decision was taken to do the hard work to keep the college in Killybegs open and they have done a very good job in that regard.

**Ms Sinéad Ní Fhátharta:** There was ceist amháin from Seanadóir Ó Céidigh about the significant challenges. We have all the challenges that small to medium enterprises, SMEs, have with regard to the appropriate skills. When a promoter comes to us we must ask if we can finance them and support them and we look at how that is driven. People do not like to mention the State-aid rules but they dictate who we can and cannot help. The Senator asked how many we refuse. We do not maintain that data. If we cannot help them we try to redirect them wherever we can, perhaps to a Leader programme, and if we cannot help them financially we see if we can help them with building capability and skills. We do not like to look at the refusals; it is about the successes and the growth and where we can support them in soft advice and supports.

Infrastructure is a huge issue, be it broadband or the road to Carraroe or the road to Gweedore. It is a major challenge because while we can build the advance factories or offices, how do we get the product and people in or out and how do we stop people leaving and not coming back? That is a huge issue. This is part of our work with secondary schools and is something that may have fallen back, but we are building it again. In the 1980s and the 1990s we did a lot of work at secondary school level to show that these were the companies in the area and the skills that were needed. Things went awry, but now we are back with Junior Achievement Ireland and looking at STEM to show the students how they can be on a global platform in some of the companies. We tell the students that if they do their science or their ICT, they can work on the global stage and still live in their home region. That is where rural Ireland has to turn it on its head, so we can have companies where people can work on the global stage while living in their local environment and raising their families there. Sin rud atá fíorthábhachtach do gach duine.

I shall now turn to the matter of the technological universities. Coming from a former regional technical college, RTC, myself I am aware that the RTC students hit the ground running. Growth and restructuring of the apprenticeship system will bring huge value to companies so they can develop people in their skill sets, who will then stay or if they need to go then they can come back. This will be a great bonus because people understand the apprenticeship system. Rural people understand that process very well and have seen people doing extremely well. We have the entrepreneurs, including a company in Donegal that has produced two leading apprenticeships in the motor industry, which came from that process. We need to showcase those people to highlight the importance of that element of education.

**Mr. Tomás Ó Síocháin:** I will address the points in sequence across the board. There is a challenge around skills but there are some solutions in the offing. I was the inaugural chair of the regional skills forum in the west. While all of the institutions are involved - such as the education and training boards, ETBs, the institutes of technology, IOTs, and the universities - one of the challenges is in communicating the importance of accreditation. Until they understood fully what the issue is it is not clear to people why the accreditation from a university or an IOT or an ETB is important. It is because it is effectively like a passport and a person can add to it as he or she goes along. It is very important that this is communicated.

There is also a huge shift in non-traditional entry that allows people from other backgrounds to come in. This is vitally important because it allows those people in who have fallen through the cracks the first time, or who do not get initial opportunities to come back.

On the broadband issue and the move from wireless to fibre broadband, some of the work done by the Western Development Commission has identified the importance of future proofing the use of fibre so that it is not only for the here and now, it must also give the long-term viability.

With regard to the data kept on those who are refused funding, there is certainly anecdotal data. If one looks at it in terms of what lending devices or products we offer it is very important to learn where people are not getting the funding and then to examine why. I would certainly be looking at putting in place a more structured way of capturing that data and seeing what we can learn from it. I agree with Ms Ní Fhátharta that there are no failures in the sense that people are triaged and sent to other areas. It is, however, important to examine some of the reasoning behind it and see what we can learn.

While not commenting specifically on the co-op development unit, one of the areas we are looking at is social enterprise. This is important because it goes to the area of sustainability. This is not just in the context of sustaining communities as communities, it is also about the broader issues around sustainability such as the green economy and climate change. We are examining the social enterprise model in that context.

We would face the same issues around finance as Údarás na Gaeltachta in that we have to operate under State-aid rules and we have to make sure we identify matching funding. As I highlighted earlier, a key issue is the ability to attract other investors and private investment and I believe there is scope to look at solutions around the tax regime in that respect.

Seanadóir Ó Céidigh asked about attracting people back to the west. I deliberately wanted to finish on this issue because I believe it is absolutely crucial. Work has been done by the Minister of State, Deputy Ciarán Cannon and the Department of Foreign Affairs and Trade with an INDECON report on returning emigrants. The report looked at what the issues are. Information and insurance are key issues. There are also practical concerns such as getting driving licences and so on. More fundamentally, I believe that we need to change the narrative. We need to move away from the region or the rural areas comparing themselves to other places and saying that we are not good enough. That perspective does not hold true when we look at the fantastic physical beauty and the natural attributes of many of the regions we are discussing today. There is also the fact that the very mobile workforce of returning emigrants bring fantastic skills with them. Given the opportunities in remote working I agree with Údarás na Gaeltachta that the diaspora is a key one-to-one unit in bringing people home. There is an onus on all of us to work together to make sure that when people do come home it is less of a challenge than it currently is. This should be addressed in the key areas but especially in the context of SMEs.

There is also a role for mentorship because when a person has an individual that he or she can work with and contact it allows that person to come back and hit the ground running.

Across the board it is very important that the conversation shifts to emphasise the positive. This will be the key area. We would be bringing people back home to a very attractive option in the context of work-life balance.

**Mr. Breannán Casey:** Tendering is an issue that SMEs always struggle with. There are opportunities to simplify that process and put legislation in place. Similarly, there are opportunities to change legislation on bad debts and the duration of payments. We have spoken a lot about cashflow and funding and it remains a massive issue. The Government could look at that straight away.

I reiterate some of my colleagues' comments about the challenges. I was at the launch last week in Dundalk of an apprenticeship scheme for software development and network management through Louth-Meath Education and Training Board and Fastrack to Information Technology, FIT. This rapid response from industry and training, and the involvement by the institutions such as the Dundalk Institute of Technology and other institutes of technology is the model going forward. We worked in the M1 Payments Corridor with Dundalk Institute of Technology on a new data analytics course. Whether it is a large or a small company, that speed of response to training needs is required. They cannot wait two, three or four years for a college to do it. That has moved completely and we are seeing a much quicker turnaround now. Reference was made to network clusters. We are seeing that increased co-operation right across Ireland. We are on the right track but we can improve upon it.

**Ms Wendy Gray:** I will address just a couple of points that have not been covered. Public procurement is subject to EU rules. It is not a case of the Government suddenly legislating. That is not an option.

On the question of companies which have applied to the State agencies, local enterprise offices, Enterprise Ireland or even Microfinance Ireland, the companies are always given feedback. Records are kept on the engagement and why an application was refused so that companies can learn from the experience.

The disruptive technologies innovation fund has been hugely competitive and oversubscribed. A huge amount of interest was shown in the fund. It is a multi-annual fund. We cannot provide an appeals process in each case because only a certain amount of money has been allocated. Successful applicants are selected, feedback is given and unsuccessful applicants can apply for the next round of funding, which is similar to how the regional enterprise development fund was run. Applicants are entitled to feedback, which allows them to improve their applications and they can apply for the next round of funding.

*Senator Pádraig Ó Céidigh took the Chair.*

**Acting Chairman (Senator Pádraig Ó Céidigh):** I have a different role for a few minutes until the Chairman returns. I call Senator Conway-Walsh.

**Senator Rose Conway-Walsh:** It is important we have the aggregate data on whether it is for the EU or for legislation to enable us to make the necessary changes in terms of restricts on any of the organisations where funding is necessary. It is not about refusing funding but I want to focus on the barriers. I am aware that there are barriers that do not allow organisations to fund. There is inadequate flexibility to address the needs that we need to address in rural

Ireland. Do the witnesses know when the disruptive technologies innovation fund will reopen for applications?

**Ms Wendy Gray:** That would be for the Minister for Business, Enterprise and Innovation, Deputy Humphreys, to decide. I do not have a date for when people can apply for the next round. I am sorry that I do not know. Applications are being processed at present but I do know if a date has been set for announcing the list of successful applicants in the first round.

**Senator Rose Conway-Walsh:** It is not that we do not have innovation and innovative thinking in rural areas but opportunities are lost. When the people with the shiny shoes arrive, we are ever-embracing but when indigenous people come forward with innovative ideas, they come across barrier after barrier. It is our collective responsibility to understand and address the barriers, and it is crucial that we do so.

**Acting Chairman (Senator Pádraig Ó Céidigh):** The Senator has made a very good point.

**Mr. Eoghan Richardson:** I ask people to be aware that SMEs are sometimes unaware that they need to move away from the debt-type finance that exists to equity finance. Often SMEs are very frightened to let go of equity in their business but innovative new companies tend to be a little more able to do so. In fact, the Irish Business Angel Network has doubled its funding recently. Other avenues exist. If one is a particularly innovative company there are private venture capital companies one can avail of. Enterprise Ireland has a wide range but there is not just one network and multiple ways to grow. Like anything else, sometimes the first network is not the right fit and one might need to get a second or third fit. Perseverance is one of the greatest keys of innovation. I urge people to persevere and keep going as there could be a different network for them.

*Senator Paul Coghlan resumed the Chair.*

**Chairman:** Mar fhocal scoir.

**Ms Sinéad Ní Fhátharta:** Ar a leanas ón gcomhacht seo, in respect of the comment made by Mr. Richardson, if a project is so innovative then applicants should consider the SME instrument called Horizon 2020. There is support available to help people with their applications. I can speak to the Senator after the meeting about the matter. If a project is that innovative then he or she should speak to an agency and also look towards Horizon 2020, which is another opportunity and one does not have to wait another year.

**Chairman:** Mar fhocal scoir.

**Mr. Seamus Boland:** I am reminded of a fundamental reality in this country. We had ACC and ICC, which assisted and provided thousands of farmers, in particular, and businesses with serious money at a time when there was no money available anywhere else. While the work that we have just heard about is extremely useful, and we need that assistance to help small industries, the reality is that we are trying to compensate for a dysfunctional pillar banking system. It is not doing its job but until that situation is redressed we must depend on a whole range of agencies, who do fantastic work, to fill the vacuum. Unless we seriously tackle the situation we will have to depend on a range of agencies to give money, which is not really sustainable.

**Chairman:** Before I call on Senator Ó Céidigh to make his concluding remarks I wish to acknowledge that another colleague is seated in the Gallery, namely, Senator Michelle Mulherin,

who is welcome.

**Senator Pádraig Ó Céidigh:** Níl ann ach cúpla nóiméad mar táimid anseo ar feadh an lae. Labhair an finné Gaeilge, le cúnamh Dé. Tá sé ceart go leor. Bhí sé an-deas an Ghaeilge a cloisteáil arís agus chualamar níos luaithe inniu, freisin go raibh sé ag labhairt Gaeilge. Déanaimid iarracht go ndéanfar an oiread Gaeilge a labhairt sa Teach chomh minic agus is féidir.

I thank my colleagues on the Seanad Public Consultation Committee for their support in bringing this important area of SMEs in Ireland to the fore. The SME sector comprises three perspectives, namely, the owners' perspective, the regional perspective and the national perspective. Without the committee's support we would not be here. As I said earlier, this is the first time that SMEs have enjoyed such a public forum to air concerns in public and bring a cohesiveness to the debate. There are many similarities between all of the witnesses have said. We have heard some interesting ideas and thoughts that we would not have got in another forum or format. I thank the witnesses for their presentations and comments. We have had 15 organisations and businesses with about 20 different contributors, which is quite significant.

I thank my colleagues who came here and contributed, some of whom are not members of the Seanad Public Consultation Committee. I thank Ms Doody and Ms Judge for their assistance. They are the key to helping us to make these meetings happen. I thank my personal assistant, Cáit Nic Amhlaoibh. Níl fhios agam bhfuil sé ansin, Cáit. Go raibh maith agaibh.

I thank Dr. Majella Giblin from the National University of Ireland, Galway. She is helping us to co-ordinate and put everything together in a structured and professional manner for what we believe will become a robust document. Hopefully, it will help with the roadmap going forward. I know that the witnesses and their colleagues will help implement all of that.

Finally, I thank the Cathaoirleach. He has supported me in this endeavour from day one. I publicly acknowledge and appreciate his support. Go raibh míle maith agaibh.

**Chairman:** On behalf of the Seanad Public Consultation Committee I thank all of the witnesses who contributed to this session. We have had a very informative and productive session. We have all learned a lot from the insights and observations made by the witnesses. Full account will be taken of today's discussions when the draft report is being prepared. Copies of the final report will be sent to all contributors.

Before the public hearing on this topic concludes I wish to put on record my gratitude to all the members of the committee for their hard work over recent months. In particular, I thank Senator Ó Céidigh who proposed this topic for discussion. He has worked extremely hard in the background in preparation for these hearings, which I am sure everyone is well aware of. I sincerely thank all the people who made submissions to the committee and the witnesses who appeared before the committee today and at the two earlier sessions. I wish to express my gratitude to the secretariat in the Seanad Office. I thank them for their valuable input into this public consultation, in particular Ms Doody and Ms Judge.

The committee adjourned *sine die*.