

DÁIL ÉIREANN

AN ROGHCHOISTE UM GHNÓ, FIONTAIR AGUS NUÁLAÍOCHT

SELECT COMMITTEE ON BUSINESS, ENTERPRISE AND INNOVATION

Dé Céadaoin, 6 Nollaig 2017

Wednesday, 6 December 2017

Tháinig an Roghchoiste le chéile ag 7 p.m.

The Select Committee met at 7 p.m.

Comhaltaí a bhí i láthair/Members present:

Teachtaí Dála/Deputies	
Niall Collins,	
Heather Humphreys (<i>Minister for Business, Enterprise and Innovation</i>),	
Tom Neville,	
Maurice Quinlivan.	

Teachta/Deputy Mary Butler sa Chathaoir/in the Chair.

Estimates for Public Services 2017**Vote 32 - Department of Business, Enterprise and Innovation (Supplementary)**

Chairman: I remind members to ensure their mobile phones are switched off for the duration of the meeting as they interfere with the broadcasting equipment, even when in silent mode. The purpose of today's meeting is to consider the Supplementary Estimate for the Department of Business, Enterprise and Innovation for 2017, referred by the Dáil to this committee on 21 November with an instruction to report back to the Dáil not later than 6 December, which is today.

I welcome the Minister for Business, Enterprise and Innovation, Deputy Heather Humphreys, and her officials to the meeting and thank them for the briefing material provided to the committee. I propose the following arrangements. The Minister will make a brief address to the committee, after which we can consider the subheads relevant to the Supplementary Estimate. Is that agreed? Agreed.

I remind members that in accordance with Standing Order 184, discussion should be confined to the items constituting the Supplementary Estimates. I ask members to indicate the subhead to which they are referring, if possible. Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the House or an official either by name or in such a way as to make him or her identifiable.

I draw the attention of witnesses to the fact that 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 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 now call the Minister to make her opening statement.

Minister for Business, Enterprise and Innovation (Deputy Heather Humphreys): I thank the Chair for the welcome afforded to me this evening. I very much look forward to working closely with her and her committee colleagues in the period ahead on various issues of direct relevance to the Department's remit, spanning the enterprise development, innovation and regulatory areas. I convey apologies on behalf of both my ministerial colleagues who I know had confirmed their attendance this evening and neither of whom can now attend. The Minister of State, Deputy Pat Breen, is taking the Social Welfare Bill in the House at this time. His original time slot was changed this evening so he sends his apologies. The Minister of State with responsibility for skills, training and innovation, and research and innovation, Deputy John Halligan, is unfortunately unable to attend this evening due to unforeseen circumstances. He was understandably keen to attend tonight to discuss the additional €26 million in innovation supports that are being proposed.

My officials have already provided the committee with a short briefing note, but I ask the

Chair to permit me to mention a few key points for the record. The Supplementary Estimate totals €40 million and is being provided from within already voted moneys of €858 million to my Department this year. This is not about the provision of additional Exchequer moneys now. Essentially, what is being proposed is the permission to redistribute €40 million from underspends arising across the Department's Vote this year to support a number of enterprise and innovation initiatives. The proposed €40 million for redistribution relates to the following areas. The first is a new Brexit loan scheme, the Department's contribution to which is €14 million, through the creation of a new subhead A14 on the Department's Vote this year. In addition, the Department of Agriculture, Food and the Marine is contributing a further €9 million to the scheme to bring the Exchequer contribution to €23 million in total. This, in turn, through a combination of a Strategic Banking Corporation of Ireland guarantee supported by the State and partially counter-guaranteed by the European Commission and the European Investment Bank, is expected to leverage €300 million of lending to SMEs and small and mid-sized companies. A key point is that this scheme will be open to State agency clients and to businesses that do not have any relationship with State agencies.

Subhead B4 - Science Foundation Ireland is being provided with an additional €10.6 million to fund necessary research and equipment associated with the SFI research professorship awards. Funding of this key research equipment associated with research professorships will strongly underpin the work of the teams concerned and will increase the global visibility and impact of this important work. This will bring Science Foundation Ireland's capital investment in 2017 to more than €173 million. Also under this subhead, we are looking to provide the Tyndall National Institute with an additional €2.6 million. This additional funding will contribute towards a programme of research equipment renewal required by Tyndall to remain at the leading edge in ICT research and ensure its continued relevance to its key industry partners.

Through subhead B5, the programme for research in third level institutions, PRTLTI, it is proposed to provide for an additional €12 million to accelerate payment on the State's commitments under the PRTLTI programme. It is proposed that the following eight higher education institutes will receive this funding: Dublin City University, Dublin Institute of Technology, National University of Ireland Galway, Maynooth University, Trinity College Dublin, University College Cork, University College Dublin and the University of Limerick.

Finally, via subhead B6 an additional €1 million is to be provided to the European Space Agency to increase Ireland's contribution to the advanced research and telecommunications systems programme. Participation in this programme will allow for new contracts to be signed with Irish companies for market-oriented technology and product development. In turn, this can be expected to generate additional research and development activity, employment and exports that would not otherwise take place in Ireland. Membership of the European Space Agency provides Irish businesses and researchers with access to a €5 billion per year technology development organisation, with its main objective being to assist Irish companies to develop leading edge technologies through European Space Agency activities.

It is important to note that this additional €26 million for the various innovation investments brings to €105 million the total additional capital we have secured for the innovation budget since December 2015. This is recognition of the importance of innovation in underpinning our future jobs capacity. It is a cornerstone of our overall economic development policy. The investment by my Department in research and innovation has helped to place Ireland tenth in the global scientific ranking and we know that we cannot stand still. We need to ramp that up further to ensure that Ireland becomes a global innovation leader in the years ahead. Doing so will

underpin the future development of indigenous firms and enable us to maintain and attract further foreign direct investment to Ireland and create the additional new jobs for the next decade.

Moving on to where this funding is being provided from, the Department acknowledges that the proposed redistribution of €40 million is a considerable amount. However, for context, it represents less than a 5% underspend - in fact, a 4.6% underspend - of the Department's total allocation of €858 million this year. The bulk of the underspend relates to €30 million in capital moneys in respect of subhead A7, Enterprise Ireland. Of this, €13 million is as a consequence of additional own-resource income being generated and retained for use by Enterprise Ireland. This is a positive development, as Enterprise Ireland is obliged to expend its own-resource income before drawing on Exchequer funding. Two other elements are contributing the remaining €17 million in unspent Enterprise Ireland capital, namely, its regional funding call, under which there is €12 million unspent, and other Enterprise Ireland grant funding, under which there is €5 million unspent. It is important to appreciate that the Enterprise Ireland funding model is demand led and grants provided to client companies are typically multi-annual in nature, usually over a three to four-year period. Funding provision is dependent on the client companies adhering to and delivering on certain terms and conditions associated with the grant award, for example, delivering on a certain number of additional jobs or achieving increased export sales, etc. Good corporate governance of public finances means that grant payments can only be made on receipt of vouched expenditure claims submitted by client companies and properly vetted by Enterprise Ireland. Client companies will submit funding requests to Enterprise Ireland at a time that best suits their cash flow needs. In the context of multi-annual awards, that can give rise to funding commitments moving into another financial year.

The underspend on the regional fund can be attributed to timing issues and the very robust evaluations process which took longer to complete than initially envisaged. However, the first round funding call has been completed and we will shortly be announcing the results. Expenditure on successful projects will proceed in 2018. Some €6 million in current underspends derives from a combination of pay and non-pay-related subheads across the Department and its offices. It is anticipated that €3 million of the IDA Ireland capital allocation of €137 million this year will remain unspent. It relates to the agency's regional property programme. Given the nature of property supports and issues such as planning requirements, site issues, inclement weather, finalisation of contracts, etc., there will invariably be delays from time to time on property related projects which may impact on year-end expenditure. The remaining €1 million in savings is due to the delayed commencement of the INTERREG programme, which is partly due to the Brexit referendum result in 2016 and administrative delays in the EU managing authority.

Chairman: I thank the Minister.

Deputy Niall Collins: I thank the Minister for her presentation. We are happy to approve the Supplementary Estimate. I ask the Minister for any detail she may have of the Brexit loan scheme. What is the level of expressions of interest the Department has received from potential applicants? What are the likely terms of the scheme as regards the cost of funds and the parameters of loans in terms of maximum and minimum amounts? When is the scheme expected to go live and when will applications begin to be received?

Deputy Heather Humphreys: Some €14 million of the funding for the Brexit loan scheme will come from my Department and €9 million from the Department of Agriculture, Food and the Marine, giving a total of €23 million which it is hoped will leverage a total fund of €300 million. We will be working with the Strategic Banking Corporation of Ireland, SBCI, and

the European Investment Bank, EIB, and the scheme will be rolled out through the three pillar banks. SBCI recently issued an open call inviting finance providers to participate. The closing date for the receipt of expressions of interest is next Friday, 8 December. The scheme will be launched in the new year and it is expected that the first loans will be provided by the end of quarter 1. We must wait and see what will transpire in terms of the level of take-up of the scheme which will be offered on a first come, first served basis. Loans offered under the most recent Department of Agriculture, Food and the Marine loan scheme for farmers were quickly snapped up. An interest rate of 4% will apply and the value of loans will range from €25,000 to €1 million. The scheme is likely to be rolled out through the three pillar banks.

Deputy Niall Collins: Does the Minister have a figure for the number of expressions of interest received by the Department?

Deputy Heather Humphreys: We do not have any figure in that regard. It is too early to be able to give such a figure.

Chairman: The Minister mentioned initial funding of €23 million from her Department and the Department of Agriculture, Food and the Marine. Did she also mention a sum of €300 million?

Deputy Heather Humphreys: The Exchequer provision totals €23 million. Through a combination of a Strategic Banking Corporation of Ireland guarantee supported by the State and partially counter-guaranteed by the European Commission and the European Investment Bank, this sum is expected to leverage €300 million in loans to SMEs.

Chairman: Is it expected that the scheme will be rolled out immediately? Will €300 million be available next year from which businesses will be able to borrow?

Deputy Heather Humphreys: It should be in place by the end of quarter 1 or the beginning of quarter 2. There will be criteria for businesses to meet such as that they have been impacted by Brexit. We will have to wait and see what transpires in terms of the level of take-up of the scheme, but it will be offered on a first come, first served basis.

Chairman: It is fantastic that loans ranging from €25,000 are available because some businesses may find it very difficult to secure smaller loans but easier to access larger amounts of finance.

Deputy Maurice Quinlivan: My question also relates to the Brexit loan scheme, for which funding of €14 million is to be received from the Minister's Department and €9 million from the Department of Agriculture, Food and the Marine, giving a total of €23 million. Why is that money included in the Supplementary Estimate? Will it be allocated before the end of the year or will it made available be next year?

Deputy Niall Collins asked about expressions of interest. Is it because of the number expressions of interest received that the Minister can say the money will be spent this year or otherwise?

Deputy Heather Humphreys: That is the exact question I asked. We will be able to pay out the money before the end of the year. It will then be available and we expect to roll out the scheme through the three pillar banks which we have asked for expressions of interest in that regard.

Deputy Maurice Quinlivan: Is it intended that the €23 million to be allocated from the two Departments will be issued as loans or used to promote the scheme or for infrastructure around the scheme?

Deputy Heather Humphreys: It is part of the overall figure. There is Exchequer funding of €23 million in combination with an SBCI guarantee which is supported by the State and partially counter-guaranteed by the European Commission and the European Investment Bank. It is expected to leverage lending of €300 million.

Deputy Maurice Quinlivan: I understand that, but will some of the €23 million be used to fund loans or deal with matters related to the organisation of the scheme?

Deputy Heather Humphreys: It will form part of the overall fund. There will be no direct lending, rather the loans will be available through the pillar banks.

Chairman: Companies that try to access loans will have to be affected by Brexit, but will it be very onerous or difficult for them to secure a loan? People sometimes find that they have to jump through hoops to access funding. Is there any information in that regard?

Deputy Heather Humphreys: The businesses must be viable enterprises that have been or will be demonstrably exposed to current or future negative impacts resulting from Brexit. Some 15% of their exports or imports must be with the United Kingdom. Companies will have to show they have been impacted on by Brexit. One sector that springs to mind is the mushroom industry.

Chairman: I have heard much about it.

Subhead B5 relates to the programme of research in third level institutions. There will be an additional €12 million, which will reduce the outstanding commitment in cycle 5. The Department restates there is currently approximately €24.5 million in outstanding commitments. Is that before or after the Supplementary Estimate of €12 million is taken into account? Is there currently a sum of €36 million in outstanding commitments, which will be reduced to €24 million by the additional funding or is there €24 million outstanding which will be reduced to €12 million?

Deputy Heather Humphreys: The additional funding of €12 million will reduce the €24 million in outstanding commitments to €12 million. This is like another instalment-----

Chairman: Is it hoped the final instalment will be paid next year?

Deputy Heather Humphreys: The Chairman has asked the same questions I asked.

Chairman: Great minds think alike.

Deputy Heather Humphreys: We will monitor whether the final instalment will be paid next year.

Chairman: The Minister mentioned some universities. Was any institute of technology included in that list?

Deputy Heather Humphreys: Dublin Institute of Technology is included.

Chairman: How were the criteria determined for which universities would receive funding?

Deputy Heather Humphreys: It was allocated *pro rata* based on the amounts originally allocated to the colleges.

Deputy Maurice Quinlivan: On Science Foundation Ireland, the Minister referred to a figure of €10.6 million. I express my gratitude to and support for the foundation and its work. If I am correct, the €10.6 million is for two pieces of cutting edge equipment. What are they and why are they so expensive? Is it normal?

Deputy Heather Humphreys: It is for a range of equipment to support research professors in the two universities.

Deputy Maurice Quinlivan: As such, it does not cover just two pieces of infrastructure.

Deputy Heather Humphreys: No, it is for a range of equipment.

Chairman: The extra expenditure of €40 million will be funded through a €34 million capital underspend and a current expenditure underspend of €6 million. Is it surprising that Enterprise Ireland has €17 million in savings on the capital expenditure side? Has any of this money been committed to be spent next year?

Deputy Heather Humphreys: Enterprise Ireland has €17 million in savings on the capital expenditure side. A sizeable portion of the capital funding provisions across Enterprise Ireland, IDA Ireland and Science Foundation Ireland are multi-annual in nature. Typically, the agency's capital programme awards span a three to four-year period and sometimes longer. For example, it is a six-year period in the case of SFI research centres. As such, the answer is yes, the bulk of unspent capital moneys through Enterprise Ireland this year will come from multi-annual commitments. Therefore, the commitments will roll over into 2018. As I mentioned, the Enterprise Ireland grant funding model is based on expenditure claims being submitted by the client companies at a time that best suits them. The timing of claim submissions will not always fall neatly or dovetail exactly with Enterprise Ireland's financial profiles. In addition, the grant commitments come with terms and conditions attached and funding is provided on a phased basis. Of the savings of €30 million in Enterprise Ireland, €13 million comes from its own resources. It is money it has got back and which it must spend before it can draw down Government funding. It has done very well in being able to generate €13 million from its own resources. The €17 million is partly made up of €12 million from the regional fund which will be announced on Monday. It took a little longer to launch and receive and assess the applications which all had to be rigorously assessed. They will be announced on Monday, which is the reason there is a saving. The €12 million had been allocated in this year's budget and, as such, had not been drawn down. It will be possible to start straightaway in January; I doubt that they will manage it before Christmas. The other €5 million is from a number of programmes where projects were not finished on time and the money is being carried over. The promoters will be getting the money next year.

Chairman: To reiterate what the Minister said at the start, the Supplementary Estimate is a redistribution of moneys already voted on. It does not include any additional Exchequer funding for the Department. Was the Department happy that it did not receive additional funding? Is everyone delighted with the additional funding?

Deputy Heather Humphreys: We are dealing with 2017 budget and just want to be sure. The one thing we do not want to do is give money back to the Department of Public Expenditure and Reform. We are putting it into other spaces where we are going to spend it. The budget

for next year has been decided and I have not yet got into all those figures. The thing about what is in front of us is that we want to spend everything we have. We do not like giving back.

Chairman: We are all in agreement in that regard.

Deputy Maurice Quinlivan: Are we moving on?

Chairman: Yes.

Deputy Maurice Quinlivan: I have a query about subhead C7 - Office of the Director of Corporate Enforcement. It is an issue I have raised a number of times. I have a problem with the way it is run in some ways. I have detailed my problems with the work of the ODCE and the committee has agreed to examine it early in 2018. We are inviting the Minister to come to discuss it. Taking back €750,000 from the office does not seem appropriate. Concerns I have raised include the collapse of Sean FitzPatrick's trial due to coaching in the making of witness statements, the late disclosure of documents, perceived bias on the part of ODCE investigators and the shredding of documents. Another concern was that there had been no prosecutions or convictions in the previous two years. Only 43 prosecutions have been brought by the ODCE in the past decade, a shockingly low figure in that time. The most senior Garda position in the ODCE has been vacant since September 2016 and the ODCE's annual report shows that almost €6 million of its allocated funding has been returned to the State in the past three years alone, including €2.7 million in 2016, a year in which no prosecutions or convictions were achieved by the agency. The agency had only 35 staff and five gardaí in 2017 to investigate all white collar crime in Ireland. It is simply not enough. It is not appropriate that we have not spent the money that is available. Perhaps the Minister might comment on the matter.

Deputy Heather Humphreys: The money was available to the ODCE and the reason we are viring some of it out is there were pay savings due to staff vacancies and non-pay savings due to lower than anticipated legal costs. As that money is not going to be spent, we are moving it out. I do not have a full briefing note on the matter, but a reform of the ODCE has been announced and it is something on which I will be working in the new year.

Deputy Maurice Quinlivan: I express my concern that they did not spend what they had when it was not enough in the first place.

Deputy Heather Humphreys: It is not that we did not give them enough money; it is just that they did not spend it.

Chairman: I understand where Deputy Maurice Quinlivan is coming from because there was concern at the time of the trial that they did not have enough staff.

Deputy Maurice Quinlivan: The concern is there are no staff.

Chairman: When one sees money coming back-----

Deputy Heather Humphreys: Recruiting staff is becoming more difficult. That is part of the problem, as is retaining staff who may see opportunities in the private sector to which they move on. That is the situation when, thank God, we are at a level of unemployment of 6%.

Chairman: That concludes the select committee's consideration of the 2017 Supplementary Estimate for Vote 32 - Department of Business, Enterprise and Innovation. I thank the Minister and her officials for attending. I note that there is a division in the House.

6 DECEMBER 2017

Message to Dáil

Chairman: In accordance with Standing Order 90, the following message will be sent to the Dáil:

The Select Committee on Business, Enterprise and Innovation has completed its consideration of the following Supplementary Estimate for public services for the year ending 31 December 2017: Vote 32 - Department of Business, Enterprise and Innovation.

The select committee adjourned at 7.30 p.m. until 2.45 p.m. on Wednesday, 21 February 2018.