

DÁIL ÉIREANN

AN ROGHCHOISTE UM POIST, FIONTAIR AGUS NUÁLAÍOCHT

SELECT COMMITTEE ON JOBS, ENTERPRISE AND INNOVATION

Déardaoin, 1 Nollaig 2016

Thursday, 1 December 2016

The Select Committee met at 2 p.m.

MEMBERS PRESENT:

Deputy Pat Breen (Minister of State at the Department of Jobs, Enterprise and Innovation),	Deputy Mary Mitchell O'Connor (Minister for Jobs, Enterprise and Innovation),
Deputy Niall Collins,	Deputy Tom Neville.

DEPUTY MARY BUTLER IN THE CHAIR.

Business of Committee

Chairman: Apologies have been received from Deputies Maurice Quinlivan and Bríd Smith. Before we begin, I ask members, visitors and those in the Gallery to ensure their mobile phones are switched off for the duration of this meeting as they interfere with the broadcasting equipment, even when in silent mode.

Estimates for Public Services 2016

Vote 32 - Jobs, Enterprise and Innovation (Supplementary)

Chairman: This meeting has been convened to consider the Supplementary Estimate for Vote 32 - Jobs, Enterprise and Innovation, which was referred by the Dáil to the committee on 24 November with an instruction to report back to the Dáil not later than 8 December 2016.

I welcome the Minister for Jobs, Enterprise and Innovation, Deputy Mary Mitchell O'Connor, the Minister of State, Deputy Pat Breen, and their officials to the meeting. I thank them for the briefing material provided which has been circulated to the members. Based on the information, the secretariat prepared a briefing document which has been circulated to members and the Department. The financial scrutiny unit of the secretariat will be contacting members shortly to carry out a quick questionnaire on the Supplementary Estimate process.

I propose that the following arrangements apply to the debate. The Minister will make a brief address to the committee to be followed by the Minister of State, after which we can then consider the subheads relevant to the Supplementary Estimate. Is that agreed? Agreed.

I remind members that in accordance with Standing Order 184, the discussion must be confined to the items contained in the Supplementary Estimate. Subheads A8, A14 and B4 to B6, inclusive, will receive additional capital funding if the Supplementary Estimate is approved by the Dáil. Subheads A2, A5, A7, A10 and A13, subheads B2 and B8, and subheads C2, C3, C7, C8 and C12 are the subheads from which savings from the initial Estimate have been made. Members should confine their discussion to these subheads. A page highlighting the relevant subheads have been circulated to members. I ask members to indicate the number of the subhead to which they are referring and the page in the Department briefing, if relevant, when contributing.

I invite the Minister to begin.

Minister for Jobs, Enterprise and Innovation (Deputy Mary Mitchell O'Connor): I thank the Chairman. I appreciate this opportunity to meet members and I will make opening comments on the Supplementary Estimate being sought by my Department. The committee will recall that in my presentation on 22 September I mentioned the possibility of additional capital moneys being provided to my Department in 2016. Arising from the discussions with my colleague, the Minister for Public Expenditure and Reform, I have been able to secure the agreement for the provision of an additional €35 million in capital moneys for my Department. In addition, I have also secured agreement to redirect a further sum of €25 million of existing departmental funding which will not be spent in 2016 as originally intended. This means that

the Department has an overall total package of €60 million for further capital investment in 2016. The proposed distribution of this €60 million is an additional €1 million to support local enterprise offices, LEOs, and €10 million to Microfinance Ireland, MFI. My colleague, Deputy Breen, will provide the committee with some detail as to how this additional money will be distributed between the LEOs and Microfinance Ireland, MFI. The remaining €49 million of the investment package will be directed at research and development supports, with significant additional capital funding to Science Foundation Ireland, SFI, the programme for research in third level institutes, PRTL I, and Ireland's involvement in the European Space Agency's research and development programmes. SFI will be provided with an additional €27 million, thereby bringing its overall capital investment in 2016 to €184 million. This is the highest ever level of capital investment by the foundation in a single year.

This additional capital money will allow SFI to fund the acquisition of critically needed research equipment across each of the seven universities and also assist a number of other research bodies such as Teagasc, Waterford IT, Tyndall National Institute and the Royal College of Surgeons. The acquisition of this vital equipment will directly support research in key strategic areas, such as medical devices, immunology, agrifood, drug delivery, etc.

Through the programme for research in third level institutions, the Supplementary Estimate will allow for an additional €20 million to be provided to meet the State's commitments under the PRTL I programme. The PRTL I operates in cycles of funding of typically five to six years. The current cycle, cycle five, was initiated in 2011 and involved a total of €350 million in awards to higher education institutes, spanning 33 distinct projects. The State committed €290 million with the remaining €60 million coming from private moneys. The provision of the additional €20 million will now allow the State to accelerate the timescale from meeting its outstanding commitments under PRTL I cycle five. This in turn will help in progressing the plans for launching cycle six, which are actively being worked on by my Department in conjunction with the Department of Education and Skills.

Finally, the remaining additional €2 million provided for in the package will be invested in a number of specific European Space Agency programmes. These investments will essentially help to meet liabilities in respect of contracts which are in the process of being placed with Irish companies. My Department's investment in the ESA programmes will total more than €19 million this year. Ireland derives from it a number of concrete benefits for our economy, including a fourfold increase in commercial sales by Irish companies involved in the high-tech space sector, with sales amounting to €75 million in 2015 and employment in ESA supported companies in Ireland increasing from 1,300 in 2008 to 2,000 in 2014. Employment is expected to double to more than 5,000 by 2020. It is fair to say that capital investment through the Department's innovation programme has played a significant part in ensuring that Ireland is recognised as a leading research performing nation. This is borne out by a rapid ascent in the accepted international scientific rankings, where we are now ranked in the top ten of leading research performing nations in the world. These additional innovation supports concretely demonstrate that Ireland is committed to punching above its weight as a research and development performing nation. It also ensures that research and development can continue to be a significant element of Ireland's offering in terms of attracting mobile foreign direct investment.

With the Chairman's agreement, I now invite my colleague to provide the committee with some details of the LEO offices and Microfinance Ireland elements to the Supplementary Estimate package.

Minister of State at the Department of Jobs, Enterprise and Innovation (Deputy Pat

Breen): I thank the Chairman. I, too, am delighted to have an opportunity to discuss the details of the Department's 2016 Supplementary Estimate. As advised by the Minister, Deputy Mitchell O'Connor, I propose to provide members of the committee with details of the local enterprise offices, LEOs, and the Microfinance Ireland elements of the Supplementary Estimate package, which are both supported under the jobs and enterprise development programme of the Department's Vote.

It is proposed to provide the local enterprise offices with an additional €1 million in capital funding in 2016, thereby bringing total capital investment in these offices to €19.5 million by year end. The additional capital investment will be directed at LEOs which have signalled that they have a pipeline of ready made projects for investment. The 14 LEOs concerned anticipate that these projects will support the creation of more than 100 jobs across the regions. Members of the committee will be well acquainted with the valuable work done by the local enterprise offices and the undertakings of their respective regions. The LEOs job performance since their establishment in 2014 has been remarkable. Their performance to date in 2016 indicates a continuation of this strong jobs creation momentum. The initial capital allocation of €18.5 million in 2016 allowed the LEOs to target and approve 900 projects for grant support with an associated full-time equivalent jobs total of 1,500 for the full year. At the end of October, more than €13 million had been approved in grant supports for 747 projects across the LEO network, with more than 1,400 jobs associated with these approvals. The additional €1 million in capital funding, being provided through the Supplementary Estimate package, will ensure that this impressive performance of job delivery across the regions can continue to be built on.

As regard Microfinance Ireland, the Supplementary Estimate package will allow for a further tranche of capital investment of €10 million into the microenterprise loan fund, as was envisaged under the Microenterprise Loan Fund Act 2012. The MFI fund is an important point of access to finance for many microenterprises. While it took some time to establish its brand, MFI has performed impressively well in the past 18 months to two years and so far it has helped to create or sustain 2,232 jobs across the regions. The €10 million being allocated through the Supplementary Estimate package is required now to support the ongoing work of the fund for a further five years. A further tranche of investment will be supplemented by additional financial support from the three main banks to the tune of €15 million in the next five years. The additional capital will be used to grow the level of the fund and ensure that MFI supports as many microenterprises as possible in terms of meeting their credit needs.

I hope the foregoing is of assistance to the members of the committee in regard to the rationale underlying the distribution of the proposed Supplementary Estimate package, particularly in so far as the local enterprise offices and Microfinance Ireland programmes are concerned. I have no doubt that the additional capital investment in these programmes will significantly enhance their capacity to continue the related important challenges of providing steady access to finance to our SME community and stimulating job creation across the regions.

I will be delighted to answer questions on those two areas.

Chairman: I thank the Minister of State, Deputy Breen, for his statement. I now invite questions.

Deputy Niall Collins: I thank the Chairperson and both the Minister and the Minister of State and their officials for their opening statements. On behalf of the Fianna Fáil Party, I am happy to agree and approve the proposal before us today. I have a number of questions and if the information is not to hand, it can be sent on afterwards.

In regard to the allocation of an additional €1 million to local enterprise offices, the Minister of State said that would support the creation of an additional 100 jobs, which is to be welcomed. I agree with the comments that local enterprise offices have had a very positive impact. Would it be possible to be furnished with a schedule of the entire list of projects which are to be funded and have been funded to date by the local enterprise offices?

Similarly in regard to the funding of the entire €60 million package, capital savings have arisen from IDA Ireland, Enterprise Ireland and INTERREG. I have had a number of direct engagements with Enterprise Ireland and IDA Ireland in the past number of days and they have also appeared before the committee as part of the exercise on Brexit. In fairness to both organisations, they are doing their best to prepare the country and the client companies they support for the onset of Brexit. Apart from IDA Ireland and Enterprise Ireland, what all the stakeholder groups, IBEC, the cross-Border representative groups, and the Small Firms Association are flagging is that Brexit will have a big impact on the first half of next year. In particular, we might see some SMEs relocating to a sterling based jurisdiction to equalise their cost base. We are bracing ourselves for an impact next year. Will the fact of the capital savings make an impact on Enterprise Ireland and the IDA in terms of what they are trying to roll out? I appreciate they have been given additional resources in other parts of the budget to hire additional people, and that is welcome. They have indicated to us that they are still waiting for the official follow through in terms of how it will be divided up between the two organisations. Will the Minister or Minister of State give us a list of the LEOs and an oversight of what they think about whether Enterprise Ireland and the IDA will be hamstrung by virtue of these savings being used?

Deputy Pat Breen: I thank Deputy Collins for his question and particularly his support for the local enterprise offices throughout the country. They have played a very important role in our economic recovery, as the Deputy knows. In my role as Minister of State with responsibility for small business, I am in the process of visiting many of the LEOs throughout the country. I will be in Donegal next Monday to visit the LEO there and to visit some of the companies that benefit from funding from the local enterprise offices. I can name the companies that got money from the €1 million. It was divided among companies that had projects ready to go. I visited the LEO in Fingal last night which also got additional funding from that second tranche of funding. The LEOs in Fingal are doing a really good job under the management there. The LEOs that got the additional funding were Carlow, which got €40,000; Cork city, which got €50,000; Donegal, which got €100,000; Dublin city, which got €100,000; Dún Laoghaire-Rathdown, which got €60,000; Fingal, which got €120,000; Kerry, which got €20,000; Kildare, which got €100,000; Limerick, the Deputy's county, which got €50,000; Mayo, which got €30,000; Sligo, which got €85,000; Tipperary, which got €170,000; Westmeath, which got €75,000; and Wexford, which got €69,500. As I said, all those companies were ready with projects that would create jobs. In total in 2015, LEOs created more than 3,533 jobs, and having that €1 million now for those additional projects that are ready to run will create a further number of jobs. We are very happy with the performance of the LEOs. With the additional funding of €4 million in 2017 we intend to make sure the LEOs grow further and create more jobs. The recovery has to spread into all regions, which is the idea behind having a local enterprise office working in conjunction with Enterprise Ireland and having finance, advice and other services available. They are an area that is very important to every region and to every county.

Deputy Mary Mitchell O'Connor: I will address Deputy Collins's other question. The Deputy asked whether Enterprise Ireland and the IDA would be disadvantaged by these savings and, especially in light of Brexit, they will not be disadvantaged. The committee needs to appreciate the multi-annual nature of the enterprise and innovation grants provided through the

Department. Typically the grants of the enterprise agencies span three, five, seven and eight-year periods. Our enterprise and innovation policies are about sustaining sustainable economic growth and societal development. The consequences of securing Cabinet approval for this Supplementary Estimate, which, let us remind ourselves, includes an overall package of €60 million in capital investment, means that the Department's total capital expenditure by year end will be €548 million. That is the largest ever productive capital investment made through the Department in a single year. However, that €548 million will be surpassed by a total capital spend next year of €555 million, which I secured in budget 2017. We expect to be before the committee again in February to talk to it about the 2017 Estimates. We will elaborate further on the 2017 plans then. In 2016 and 2017, the level of Exchequer capital funding through the likes of Enterprise Ireland, the IDA, SFI and the LEOs will be about €1.1 billion, which will support Irish-based enterprise and innovation. It will also be supplemented by a significant amount of agencies' own resource income, ORI. Typically it is around €100 million per annum. The Exchequer capital and agency ORI combined means that, through the Department, the Government is investing in excess of €1.3 billion over the two years. This is to ensure we can continue to support the jobs and innovation agendas proactively and be responsive to the various global issues like Brexit, the changing US administration and all that might arise from it. We are pretty well resourced for this year and for next year.

Deputy Tom Neville: I thank the Minister and Minister of State for coming in today. I welcome some of the figures we have in front of us. We can see the further investment transferring onto the ground, so to speak, with the number of job announcements that have been made over recent months, especially in my county of Limerick. There have been quite a number of job announcements and I will continue to acknowledge and welcome that. I also welcome the reduction in unemployment. The figures are down to 7.2%, from approximately 15% five years ago, so we have halved it in five years. I want to see that trend continue. That needs to be stated from the outset.

On the further investment, particularly in IDA and Enterprise Ireland, the Minister mentioned figures of €1.3 billion over the next two years. Given what has happened in the United States, with the uncertainty for our own economy because of the number of American multinationals here, and as a result of Brexit, has there been a change in focus at departmental level to the Asian economies and to looking again at growing the footprint in Asia? As Deputy Collins mentioned, we had the IDA in and we talked to its representatives about what footprint we had in Asia. It is continuing to grow but there needs to be a new campaign or focus on Asia given the breadth of that market.

I will share some evidence with the committee. After living on that side of the world, I know that many Asian people assume that Ireland is part of the UK. They would not see Ireland as an independent country. I do not want people in that jurisdiction and market to think we are leaving the EU, that is, even if they recognise that Ireland is there. We need to get the message out there. We are talking about 60% of the world's population. Our footprint is quite low. It is on the increase and I welcome that. There should be an increased focus on that side of the world, given what has happened in the United States, Brexit and the change in the world order. Is that becoming a major priority within the Department?

Deputy Mary Mitchell O'Connor: I thank Deputy Neville. Limerick has had a huge number of jobs announced. I am delighted that unemployment is going down and that 2 million people are back at work. We cannot be complacent. The Deputy's question is a valid one. There is an Asia strategy being devised with the Department of Foreign Affairs and Trade and

we are also feeding into that strategy. The IDA is diversifying away from the US towards Asia and so is Enterprise Ireland. The trade missions have been beefed up. For example, I was on one just recently to Japan, China and Hong Kong, and the Minister of State, Deputy Breen, was in India recently. The Minister, Deputy Richard Bruton, was also in China. That is continuing to happen. The information coming back from Asia, China and India is that the companies there are very interested in Ireland, they are very aware of Brexit, what is happening here and also what is happening with the US change of government. We will certainly be keeping a very close eye on that with the IDA and Enterprise Ireland to make sure we diversify the markets.

Deputy Pat Breen: The Minister mentioned I was in India. Enterprise Ireland is planning its trade missions for 2017. Asia will be a central focus for those trade missions. As the Minister, Deputy Mitchell O'Connor has said, I led a trade mission of 14 Irish companies to India in the past ten days. We were focused on the area of aviation, which might be of interest to Deputy Neville since he is from Limerick. India is a big country with a population of 1.3 billion people and those responsible there are looking at connecting the smaller towns with regional routes using smaller aircraft. This is where Ireland can help because Ireland leases half the aircraft in the world to airline companies. I had the pleasure of opening an aviation show there as well and we met the Indian Minister of Civil Aviation.

Another area we concentrated on was information and communications technology. The Irish companies were looking for business there but we also visited the key Indian companies that have a footprint in Ireland. Wipro is based in Dublin and Shannon and Techtronics is in Dublin and Waterford. We met the key executives in those companies. They are in the mode of expanding worldwide at the moment. We made a pitch through Enterprise Ireland and IDA Ireland to ensure that Ireland would be considered in that context.

The good news from those companies is that they are very happy with our workforce and with our costs as well.

These trade missions are worthwhile. The President, Mr. Higgins, and the Minister for Foreign Affairs and Trade, Deputy Flanagan, were in Laos and Vietnam recently. The Minister for Jobs, Enterprise and Innovation, Deputy Mitchell O'Connor, made a successful visit to China and Japan.

We also could have a greater diplomatic presence in those areas as well. I hope that when the Department of Foreign Affairs and Trade reviews its footprint in Asia, it will consider opening more consulate offices, especially in India. That is one point I will be discussing with the Minister, Deputy Flanagan. We do not have a presence in Mumbai at the moment. Since it is the most commercial city in India, I hope that we can put in place a consulate office there. Having a permanent presence and working in collaboration with Enterprise Ireland and IDA Ireland is vital. In that way we can attract more industry to Ireland. We are the fastest-growing economy in Europe and India is the fastest-growing economy in the world. We are looking forward and hoping that Enterprise Ireland and IDA Ireland will continue these trade missions in view of Brexit. As the Deputy pointed out, it is a question of diversifying into other regions while ensuring that we continue our presence in Europe, the UK and America.

Chairman: Subhead B4 relates to the science and technology development programme and there is an increase of €27 million. That is most welcome. Is it possible to get a breakdown of the figures for each of the seven universities, as well as the Royal College of Surgeons, Waterford Institute of Technology, Teagasc and the Tyndall National Institute?

There is something of a coincidence in what happened yesterday. IBEC facilitated a meeting between the president of Waterford Institute of Technology, Professor Willie Donnelly, and the president of Carlow Institute of Technology in an effort to further the technological university. There was some mention of the science and technology programme at the meeting. We spent a good deal of the meeting discussing research and development and extra funding. It would be welcome.

Since I am new to the committee, perhaps the Minister could indulge me by explaining the INTERREG enterprise development figure of minus €2.77 million. I note the reason given relates to delays outside the control of the Department and it states that the funds allocated will not be spent. Can the Minister elaborate on that, please?

I wish to congratulate the local enterprise offices, LEOs, on how well they are working. I wish to make a related point. Sometimes people come to me when they are trying to start up or expand a business. Many of them are not aware of the good work, help and support they can get from local enterprise offices. Perhaps this is something the committee might examine next year. We could do some advertising to spell it out for people. A lady came to me recently. She has run a successful play-school for over 20 years and was hoping to expand. She had never heard of local enterprise offices. This was the first time in her life that she was thinking of expanding and she was wondering where she should go. I directed her to the Waterford local enterprise office and it has worked out well for her. Anyway, my point is that until I steered her in that direction, she was unsure where to go. I acknowledge she had never thought about making a move previously but some people have told me they never realised the help they could get in the local enterprise offices. They are working well. They offer a one-stop-shop service. I congratulate the Minister on them.

Deputy Mary Mitchell O'Connor: I will answer the question about INTERREG and the figure of €2.77 million first. It was not possible to spend any of this allocation in 2016 due to certain circumstances. The circumstances related to the finalisation of the new programme. This was delayed due to procedural and technical issues between the EU managing authority and various stakeholders. This delayed finalisation of the precise terms and conditions of the new programme. This process was ongoing during 2015 at the time when the Revised Estimate Volume for Public Services 2016 was being completed. Thereafter and significantly, when applications from promoters were eventually able to proceed and were received by the EU managing authority in 2016, the Brexit referendum stalled the process completely, as it was unclear what the position in respect of the EU refund would be after the UK left the EU. There was considerable doubt for some time over whether the programme could proceed. However, in recent weeks a resolution has been achieved. This has involved complex discussions between the EU managing authority, the EU Commission and Government officials in Dublin, Belfast and London. The resolution came too late for any funds to be expended in 2016. However, expenditure will commence in 2017.

I was asked a question about Science Foundation Ireland and the €27 million programme. The additional €27 million will be for equipment. This brings the total SFI budget in 2016 to €184 million. The awards will be announced soon. I can say that they specifically relate to the seven universities in Ireland, as well as the Royal College of Surgeons, Waterford Institute of Technology, Teagasc, and the Tyndall National Institute. I can confirm the figure for Waterford Institute of Technology will be a little more than €1 million.

Chairman: Thank you, Minister. I appreciate that.

Deputy Pat Breen: I thank the Chairman for the question on local enterprise offices. She raised a valid point. It is a question I raised myself when I first came into the job on awareness of the local enterprise offices. We need to realise that the newly restructured local enterprise offices have only been in place for approximately two years. They have forged a great relationship with Enterprise Ireland. I am pleased the Chairman had a pleasant experience with her client in Waterford. We give Enterprise Ireland funding towards advertising and members may have heard the organisation advertising on local radio. As Minister of State, I travel around to the various counties. I am focused not only on visiting the local enterprise offices but on looking at the local enterprise office companies that have been set up. We are doing some local radio advertising in that area as well.

Under the new structure many local authorities put local enterprise offices front-of-house, although I am unsure of the position in Waterford. In other words, when people come into the council offices, they see the LEO sign in the foyer. They are working closely with local authorities. We find that where a local authority and local enterprise office are working well together, the LEO works particularly well. Most local authorities now have an economic department as well. The three units work together. This is where Enterprise Ireland, the Leader programme and all the other agencies come together. It is all about collaboration. This is the reason we have successful LEOs.

I would be delighted to invite Deputy Butler to accompany me, as Cathaoirleach of the committee, when I visit the LEO in Waterford and the associated small companies. She will see for herself at first hand the work that Waterford LEO is doing in growing businesses. As the Chairman noted, it is a first stop for many people who are interested in starting up a business or becoming an entrepreneur. That is an important focus.

The LEOs and Enterprise Ireland are currently focusing on the Ireland's best young entrepreneur, IBYE, initiative. The Minister, Deputy Mitchell O'Connor, covered her area of Dún Laoghaire last night and I covered Fingal. There is considerable interest in the IBYE scheme. Last year a total of 1,400 applicants came forward and there have been 1,800 applicants this year. The interest is a phenomenon. We have so many young entrepreneurs who are interested in start-up companies. We must continue to assist those young people. This is where LEOs come in, as well as the various other agencies, including Enterprise Ireland.

Chairman: Thank you, Minister of State, for your invitation. I would be delighted to take you up on that. The LEO office in Waterford is immediately across the road from the local authority office because there was no more room in that building. It is a fine premises, front and centre.

Deputy Pat Breen: We had a good year.

Deputy Mary Mitchell O'Connor: We are increasing the budget as we indicated at the previous meeting. It will increase from €18.5 million to €22 million, and I believe this money will be really well spent.

Chairman: I thank the Minister, Deputy Mary Mitchell O'Connor, the Minister of State, Deputy Pat Breen, and their officials for attending today's meeting. That concludes the committee's consideration of the Supplementary Estimate for public services for the year ending 31 December 2016 regarding Vote 32 - Jobs, Enterprise and Innovation.

SJEI

Message to Dáil.

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

The Select Committee on Jobs, Enterprise and Innovation has completed its consideration of the following Supplementary Estimate for public services for the year ending 31 December 2016: Vote 32 - Jobs, Enterprise and Innovation.

The select committee adjourned at 2.40 p.m. *sine die*.