

Note on 4th ENTERPRISE FORUM ON BREXIT AND GLOBAL CHALLENGES

Thursday, 12th October 2017

Attendees:

Tánaiste Fitzgerald (Chair)

DJEI: Dr Orlaigh Quinn, Philip Kelly, Declan Hughes, Matthew Lynch, Pauline Mulligan, Jean Carberry, Richard Scannell, Marie Bourke, Cathal Fitzgerald, Helen Pyke, Caoimhe Gavin

Kevin Sherry, Anne Lannigan, Enterprise Ireland

Breda O'Sullivan, IDA

Ruth Freeman, Science Foundation Ireland

Peter Clinch, NCC

Tony Buckley, Revenue

Neil McDonnell, ISME

Paul Kelly, Food and Drink Ireland

Ian Talbot, Chambers Ireland

Simon McKeever, Fiona Burke, Irish Exporters Association

Oliver O'Connor, IPHA

Brian Cotter, American Chambers of Commerce Ireland

Mark Coleman, Financial Services Ireland

Item 1: Minutes from 3rd meeting

- The minutes from meeting #3 were agreed.

Item 2: Opening Remarks from Tánaiste and Minister for Jobs and Enterprise, Frances Fitzgerald

- The Tánaiste welcomed the Forum members to the fourth meeting of the group.
- The Tánaiste highlighted a number of Brexit-related announcements included in the Budget particularly the Brexit Loan Scheme, the doubling of Agency staff to deal with Brexit-related issues, the €25 million Regional Fund and wider tax measures.
- With regard to the ongoing negotiations, the Tánaiste noted discussions had entered the fifth round. While some progress has been made, there is more work to do. In relation to Irish-specific issues, she acknowledged that Ireland's unique circumstances have been recognised by the EU and the UK.

Item 3: Presentation from Professor Peter Clinch Chair of the National Competitiveness Council, on "*Brexit and National Competitiveness*"

- Professor Clinch delivered a presentation focussing on a comparison between Ireland and the UK using IMD, WEF and World Bank competitiveness rankings. Based on this and wider NCC analysis, the NCC has called for five key actions to be undertaken to improve Ireland's competitiveness;
 - Ensure our fiscal position remains stable;
 - Increase capital investment levels - currently deficient relative to our competitors;
 - Develop a more diverse export base;
 - Sustain and develop further a skilled labour force, in particular enhance funding for higher education; and
 - Encourage enterprise investment in productivity enhancing talent and capital through supportive administrative and regulatory frameworks that facilitate enterprise.

- Professor Clinch noted that SMEs are in a particularly challenging position. They find it most difficult to access finance and afford credit. They have less scope to invest in innovation and in-company training and are less likely to engage in management skills development than larger firms.
- Following the presentation, a number of Forum members highlighted the importance of the work of the NCC. In addition, members commented that;
 - The cost of finance and terms of finance remain a real issue for the SME sector. The Brexit Loan Scheme is welcome, however, there is a need for a larger longer term scheme;
 - Larger firms are accessing expert advice on managing exchange rate risks while smaller companies are not taking action. Important that we speak the language of SMEs to encourage behavioural changes – focus on managing business risks rather than technical terminology such as “hedging”;
 - Talent issues are a real concern, recent ESRI-study noted that there is over-education in parts of the economy. While accepting the need for investment in higher education, it is vital that resources are provided to ensure sufficient levels of apprenticeships and Skillnets type programmes. Recent changes in the National Training Fund are welcome, however more can be done to ensure it is spent effectively;
 - There is a need for a greater focus on longer term investment needs, more detail on the multi-annual framework would be welcome. Lack of housing is a significant issue for our competitiveness – a longer term housing strategy is needed as well as more legal certainty around planning policy.
 - Energy costs are relatively benign at the moment; however, efforts need to be made to ensure that the underpinning policy environment does not enable them to rise uncompetitively in the future;
 - Brexit offers opportunity to attract sectors that can thrive in the regions. Financial services is one such example, however there are a number of obstacles to be overcome including the level of domestic financial market development and a need for improved infrastructure and skills;
 - The potential of the imposition of a 23% VAT import duty is a real threat. Need to consider an action plan around how this could be addressed;
 - There is an opportunity for Ireland to become a central distribution hub for all customs clearances into the EU;
 - More action is needed to ensure the R&D tax credit is accessible and attractive to small firms; and
 - Work needs to be done to review the sourcing strategy of Irish firms and to encourage more efficient, sustainable Brexit-proofed approaches.
- In response officials provided details about work that is underway to develop a longer-term loan scheme in 2018. It was noted that in light of Brexit, Enterprise Ireland has revised both its innovation and competitiveness offerings to better support enterprise in the changed environment.
- It was agreed that the business representative organisations have a role to play in communicating the challenges to enterprise and in helping develop and deliver solutions. In particular, the Tánaiste requested that Forum members would help promote Enterprise Ireland’s planned Brexit clinics which will be open to all firms.

Item 4: Presentation from Tony Buckley, Revenue, on “Customs Impacts of Brexit”

- Tony Buckley delivered a presentation which detailed the various processes and procedures involved in Customs. He noted the significant level of trade between Ireland and the UK and the growth in trade levels since 1973. The presentation outlined a range of additional processes which may be required for imports or exports to or via the UK post Brexit.
- Key challenges may include;
 - Increase in the volume of customs declarations;
 - Increase in volume of traffic, particularly RoRo;
 - Vat and excise issues – currently EU-wide excise control system in place, VAT and Excise on UK goods will introduce considerable complexity;
 - Transit of goods across the UK – apx 440,000 container carrying €50bn worth of goods to and from continent to Ireland. Each could require a formal customs procedure and if TIR is used it will be very cumbersome; and
 - Large number of traders will be new to customs – considerable work to upskill. When future relationship with UK becomes clearer, Revenue plan intensive outreach with firms to build awareness and educate.
- Forum Members raised a number of important issues following the presentation, including;
 - Significant levels of Irish air freight go long haul via Heathrow in ‘belly-freight’. There is a need for firms to identify alternative hubs;
 - The UK-landbridge is the fastest and cheapest way to the continent for hauliers. A solution that ensures Irish exporters can continue to utilise it will be vital from a competitiveness perspective; and
 - For some sectors, customs will be this biggest Brexit issue as opposed to any potential tariff. There has been an increase in awareness among some Business Representative Groups’ members that customs may become an issue for them. Representative groups are working with Revenue to inform members about implications. Remains worrying though that many firms still not accepting and preparing for Brexit.
- It was noted that work is commencing on an Inter-Departmental project that will look at the range of non-customs checks that may be required post-Brexit (e.g. SPS) and how these can be streamlined and ordered to limit distribution.
- Members felt the presentation was extremely helpful and it was suggested that it would be useful if a similar presentation could be provided in relation to implications for the services sector. In order to avoid disruption to trade in services, it was proposed that it will be important that the following is achieved;
 - A smooth transition;
 - A method of recognition of equivalence;
 - Access to talent; and
 - System to monitor divergence and to solve disputes as they emerge.
- It was agreed that the issues relating to financial and other services would be considered at a future meeting.

Item 5: Update from Forum members on research and publications since last meeting

- A recent paper for Financial Services Ireland setting out the position of the sector and the IEA’s survey of members were noted.
- DBEI officials informed Forum members of the completion of a second round of the Behaviour and Attitudes Survey of companies, the results of which will be published shortly.

Item 6: AOB

- Tánaiste informed Forum members that DBEI would be hosting a Brexit Economic & Trade Impacts Seminar in Croke Park on 27th November which would highlight the initial finding of the Copenhagen Study.
- Forum members were reminded that the minutes and agenda for the meeting would be published online in due course.