



Putting Small Business First

***Ireland is good for SMEs,
SMEs are good for Ireland***

January 2011

A New Commitment to Irish Small Business

Small & medium sized businesses (SMEs) are the backbone of the Irish economy. These 86,000 small businesses employ more than 700,000 people and generate €90 billion in annual turnover. They are major contributors to the national finances, paying 37% of total income tax receipts and collecting more than 50% of gross VAT.

At a personal level, these hard-working individuals play a central role in their local communities. They take risks, create employment and generate enterprise.

We must encourage entrepreneurs to explore new business ideas, to invest and to take risks. The Government has a vital role to play in supporting new businesses, and encouraging entrepreneurs to invest in and grow existing businesses.

The current Government's record in this area is a disgrace. It has turned its back on SMEs and focused all its efforts on bailing out the banking sector.

That's why Fine Gael is proposing a strategic and focused Five-Point Stimulus Plan for the Micro/SME sector. This practical Stimulus Plan aims to create and sustain an entrepreneurial environment which encourages ideas and sound risk-taking, and embraces the 'Think Small First' principle.

SMEs represent some 95% of all businesses in Ireland, with the vast majority of them micro businesses which employ between one and ten employees. More than 11,000 SMEs employ up to 50 staff.

They incorporate the following critical sectors: accommodation and food; financial, insurance and real estate; information and communications technology; film and digital media; healthcare; agriculture; construction; utilities; wholesale and retail; administration and support services; professional, scientific and technical services.

Fine Gael endorses the Principles of the EU Small Business Act (Appendix I). These are vital to create a level playing field for SMEs, maximise the potential to kick-start the Irish economy, and create jobs and protect jobs.

Fine Gael in government will provide a strong political commitment and determination to achieve a true breakthrough for small businesses and proper recognition for the sector.

John Perry TD

Fine Gael Spokesperson for Small Business

Stimulus Plan for SMEs & Micro Companies

1. Credit/Finance and eCommerce
2. Local Business Support Centres
3. Encouraging Investment & Reducing Costs
4. Research, Development and Training
5. A Single Business Inspectorate & Fair Competition

I. Credit/Finance and eCommerce

Partial Loan Guarantee Scheme

Businesses are crying out for access to credit. Fine Gael will introduce a partial credit guarantee scheme for small businesses. This will have two goals:

- Kick-start lending to businesses by addressing market failure;
- Encourage entrepreneurship and micro/SME growth during tough economic times.

We will also amend the code of conduct for lending to businesses, to ensure new applications for credit are decided on within 28 days of the initial application. This will also apply to applications under the guarantee system. The relevant Code of Conduct was published by the Financial Regulator under Section 117 of the Central Bank Act 1989 in February 2009.

The Credit Review Office will be given a central role in the adjudication of applications under the scheme, following initial assessment by the lending institutions. It's crucial that the €12 billion being made available for lending purposes by AIB and Bank of Ireland can be accessed easily by viable SMEs. This funding must be allocated in an equitable manner and its regional distribution must be clearly assessed and reported.

EIF Micro Credit Finance

Fine Gael will support applications by the new Local Business Support Centres (see Section 2) to the European Investment Fund (EIF), for national micro-credit schemes for SMEs and micro businesses. The EIF makes funds available for micro-finance.

Prompt Payments

Fine Gael will ensure prompt payments to SMEs and micro businesses from all government departments and agencies, local authorities and State-owned companies. We will ensure implementation of the 15-day prompt payment rule for all government departments, agencies and State bodies. We will also raise the threshold in the Small Claims Court for commercial debts, allowing SMEs to pursue outstanding sums through this low-cost route. Fine Gael is broadly supportive of the Construction Contracts Bill 2010.

eCommerce

Fine Gael will promote greater use of electronic payments to drive down costs for small businesses and the State. Ireland is the second most extensive user of cheques in the EU, after France, with Irish people writing 102 million cheques in 2009. Fine Gael proposes to:

- Set a date for the introduction of changes to incentivise e-payment usage (e.g. phasing out cheques);
- Reduce stamp duty on debit and credit cards and increase stamp duties on cheques;
- Ensure all government transactions are payable via electronic fund transfers.

The Fine Gael position on credit and finance for Small and Micro Business is in line with the Principles of the Small Business Act as attached. (Appendix 1)

2. Local Business Support Centres

- Fine Gael will create Local Business Support Centres by merging City and County Enterprise Boards, and local State-funded employment agencies such as Pobal programmes and FÁS Community Employment schemes. These centres will function as a One-Stop-Shop dealing with all aspects of micro and small businesses and sole traders. Elected and executive local authority members will retain their input.
- The Local Business Support Centre will stimulate economic activity and encourage potential start-ups at local level by supporting individuals, firms, and community groups, subject to eligibility criteria. Applications will be assessed on their potential to achieve commercial viability. Support will be provided in the form of financial assistance (Priming Grants, Expansion/Development Grants, and Feasibility/Innovation Grants) and a range of business advice, mentoring, and training programmes.
- The remit of Enterprise Ireland will be broadened to include SMEs with between 10 and 49 employees, and to work with micro companies that show potential for expanding their workforce to more than 10 employees.
- The Local Business Support Centres will work to prioritise the needs of micro-businesses at both local government level, and within the Department of Enterprise, Trade & Innovation.
- As part of their enhanced role, Local Business Support Centres will provide a greater level of support for micro-service companies serving the needs of large Foreign Direct Investment companies.
- Local Business Support Centres will also focus on the whole area of enterprise promotion at primary, secondary and third Level education.

- In border areas, Local Business Support Centres will focus on the development of cross-border co-operation programmes for micro-business and the development of the all-Ireland economy.

3. Encouraging Investment and Reducing Costs.

- Fine Gael will redirect tax reliefs to make it more attractive to invest in new businesses. The Irish tax system currently provides no incentives for entrepreneurs to invest the proceeds from the sale of a business into a new enterprise. Fine Gael will extend the Business Expansion Scheme to incorporate this 'roll-over' type relief.
- Fine Gael is committed to reviewing the structure of the Joint Labour Committee system, which causes severe problems for many SMEs in a variety of sectors.
- Fine Gael will continue to freeze local authority business rates and reduce them where possible. In Government we will drive down employer labour costs, energy and other utility costs.
- Fine Gael will abolish the lower 8.5% rate of employers' PRSI on staff earning below €356 per week for at least three years to reduce employment costs.
- The cost of renting premises is one of the highest costs of doing business in Ireland. It has driven up consumer prices and has undermined our cost competitiveness. It still remains high despite the recession. We believe the constitutionality of removing the upward-only rent review clause should be tested in light of the economic crisis that demands big changes to drive down costs.
- Fine Gael proposes a temporary (three year) cut of at least 1.5% in the reduced 13.5% rate of VAT on labour-intensive services (construction, hotels, restaurants, hairdressing, newspapers etc) bringing it down to 12%. This will act as a valuable stimulus to small business in all regions.
- Fine Gael's NewERA stimulus plan will help create thousands of new jobs in SMEs, particularly in the construction industry.

Fine Gael is committed to reducing the amount of red tape imposed on small business by 25%.

- To achieve this Fine Gael proposes that Regulation Impact Assessments (RIAs) from every Government Department will be published and debated by the relevant parliamentary committee and their impact on Small Business thoroughly assessed. No such initiative has been taken to date by the current Government.
- The impact of over 500 directives emanating from the EU will be subject to greater scrutiny by the Oireachtas at Committee Level (the EU Scrutiny Committee) prior to their transposition into Irish Law. There will be no 'gold plating' of EU Directives, which is in line with procedures in other EU States.

The encouragement of investment in micro and SMEs, the reduction of costs and the reduction of red tape is in line with the principles of the Small Business Act.

4. Research & Development and Training

- We will encourage collaboration between SMEs and micro businesses with Third Level Innovation Centres and Business Incubator Units to ensure maximum innovation supports for both start-up and existing companies.
- Guidance will be provided by Local Business Support Centres to SMEs and micro businesses in areas where innovation can improve productivity and reduce costs for companies.
- Employers will also be given the opportunity to act as trainers within their relevant area of expertise, in collaboration with and accredited by Third Level Colleges and Local Business Centres. This would operate with training taking place within the employer's own business, on an in-house basis, with independent assessments carried out by the accrediting College/Institute and the Local Business Support Centre.
- Participation in relevant management development programmes among micro/small businesses, which are not currently catered for by either the County Enterprise Boards or Enterprise Ireland, will be promoted through the development of management networks at Local Business Support Centres.
- The Fine Gael Workshare Scheme will provide government support for enterprises and their employees which opt for short-time working instead of imposing redundancies. Benefits will include keeping people off welfare and involved in the workplace, making it easier for people to return to full-time employment. Training would be provided during off-time.
- People on welfare will be able to avail of temporary or seasonal employment as demand arises and will be able to opt back into welfare at the end of the temporary work period without any undue time delay.

- A format will also be developed where retired people with a proven track record in business and enterprise can offer in-house mentoring to entrepreneurs, SMEs and micro businesses on a voluntary basis.

The encouragement and support of innovation and training is in line with the principles of the Small Business Act as attached.

5. Single Business Inspectorate and Fair Competition

Fine Gael in government will establish the Business Inspection and Licensing Authority (BILA), which will incorporate the existing business inspection activities of Departments and agencies, starting with:

- The National Employment Rights Authority (labour law);
- The National Consumer Agency (pricing displays and consumer laws);
- The Health and Safety Authority (safety laws).

Building on the existing Food Safety Authority, Fine Gael will also create a single food safety monitoring agency responsible for food safety inspection from farm to fork. It will assume the role of inspection currently operated by a number of bodies such as the HSE, Department of Agriculture and Local Authorities, under one streamlined operation. This will enhance the food traceability system, address public health concerns and reduce the burden of red tape on business.

Fair Competition and Access to Public Procurement Contracts

- Fine Gael will also overhaul public procurement to make it easier for Irish SMEs to get access to valuable public contracts. We will merge the National Development Finance Agency (NDFA) into the Office of Public Works to become an Office of Government Procurement and Property (OGPP). Among the aims of the OGPP will be to streamline the procurement process by establishing a centre to co-ordinate e-auctions across the public sector, encouraging larger companies to sub-contract to smaller firms, providing better domestic and international contractor data to improve decision-making and up-skilling procurement professionals across the public services.

- Additionally, Fine Gael will open sheltered sectors of the economy such as energy, transport and waste to more competition to allow greater opportunities for smaller businesses while driving down the cost of services to end users.

The Fine Gael position on a single business inspectorate and fair competition embraces the principles of the Small Business Act.

Conclusion

This Five Point Stimulus Plan provides a comprehensive policy framework for the small business sector, for the first time. Its full implementation at government level will protect existing jobs and create new jobs across all sectors, at minimal cost to the State. The plan will greatly benefit Ireland's six growth industries: biotechnology; medicine & health care; creative industries; tourism; green energy; agri-food. It will also provide much needed support to SMEs in the construction industry.

The Principles of the EU Small Business Act

- I. Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded
- II. Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance
- III. Design rules according to the "Think Small First" principle
- IV. Make public administrations responsive to SMEs' needs
- V. Adapt public policy tools to SME needs: facilitate SMEs' participation in public procurement and better use State Aid possibilities for SMEs
- VI. Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions
- VII. Help SMEs to benefit more from the opportunities offered by the Single Market
- VIII. Promote the upgrading of skills in SMEs and all forms of innovation
- IX. Enable SMEs to turn environmental challenges into opportunities
- X. Encourage and support SMEs to benefit from the growth of markets