

**SPEECH BY SUE O'NEILL, SFA CHAIR**

**AT THE SFA ANNUAL LUNCH**

**15 NOVEMBER 2019**

Lord Mayor of Dublin, Paul McAuliffe, Deputies, Senators, Fellow Members and

Guests

Ladies & Gentlemen, I am really delighted to welcome all of you here today to the Mansion House for the SFA Annual Lunch.

What I like about this day is that it gives me the excuse to start the Christmas season, as this is a social day for small business. Today we can say thank you to our clients who keep us all in business, we can celebrate with and thank our staff who play a vital role in all our businesses and be thankful that we are here, still intact at the end of 2019 and looking forward to 2020.

At our annual lunch in 2017 I launched the SFA's campaign for a national small business strategy. This is a campaign, which over two years, has been asking government to place a clear focus on the 98% of businesses employing half the private sector workforce in Ireland and get behind these indigenous businesses, just as it has supported our successful multinational companies - to unlock untapped potential and ensure our competitiveness in what is now, a very changing world.

As a result, Minister Humphries invited the SFA to contribute to an OECD review of SME policy and Entrepreneurship which she commissioned as part of Future Jobs Ireland and I am delighted to report, as a result of this consultation, the Minister has now announced that a new SME and Entrepreneurship strategy will be published by the end of the year.

This of course, will hopefully be the first step of many.

We expect this strategy to focus on driving productivity and innovation, implementing a comprehensive tax policy that is conducive to small firms, help fund ambition in those looking to invest, whilst also supporting the often forgotten group of established businesses of between 10 and 50 employees that are the back-bone of every community across all sectors of business. It needs to be all – encompassing and not leave anyone behind.

I welcome the recommendation by the OECD, that implementation will be overseen by a new interdepartmental committee on SMEs and Entrepreneurship, because, unless this strategy has cross-government buy-in the cumulative effect on our costs of doing business from the current range of SME and Entrepreneurship policy actions will continue.

We have incredible small business owners who in the past five years created 75,000 jobs, but now we need the Government to build on these and other successes of the past and ensure the delivery of this strategy by the end of the year.

When we look at where we are at now, on the face of it, things are looking good, we are expecting close to 3% growth next year. Gone are those words familiar to us – like rationalisation, debt burden, fiscal rules and the understanding we all had to grasp on the workings of organisations like NAMA, the Troika and the IMF. We know those days are behind us, but there are uncertain times coming as we are still not sure of how Brexit will impact our businesses and indeed how US trade policies will affect us here. Yes, we can be prepared to an extent, but unlike larger companies we cannot afford to put in place many possible contingencies, we will need to react

quickly and to do that we need to be lean and fit to take on our next challenge and what I mean by lean and fit is - we are at risk of losing our competitive edge if we become complacent -

The changing world in which we are now doing business will benefit our competitiveness, but it will also challenge it. As businesses we need to embrace digitalisation as a driver for growth, we need to support new ways of working to ensure we get access to the best talent available and we need to invest in our contribution to achieving a sustainable environment - and all of this costs money.

With regard to access to talent for example, which is the second biggest challenge to Brexit for small business - We are competing with larger organisations who can offer wages estimated to be 64% higher than domestic companies. As small businesses we purport that we offer the advantage of being more flexible and offer a better work-life balance but believe me, from presentations I have seen by larger organisations recently, they are shifting and eating our lunch in this space. We are going to have to be more creative which means investing in what we offer new and existing employees. We need to invest in developing career paths for employees if we want to retain them and in relation to recruitment, I attended a presentation recently given by Paul Healy, CEO of Skillnet Ireland (who is here today) where he spoke about organisations needing to have a real understanding of the new generations we are hiring – Generation Ys and Millennials - and what is of value to them, because it is very different to past expectations. These are the generations that start conversations with why? they are of course digital natives and it's all about the tech.

But they also expect guidance and transparency from employers, they embrace diversity, empathise with causes that are important and are advocates for work life balance and they want to know what your purpose is – So as small businesses we need to be sure we are geared for this and something to ponder on today – Do you know - what is your purpose?

In order to invest in training for our staff and develop management skills for them and indeed ourselves we need Government to increase its support from the National Training Fund for organisations such as Skillnet so that they can support even more innovative training and blended learning such as that delivered by the new SFA Skillnet. Government also needs to support businesses to afford expertise through improvements in KEEP, the tax-advantaged share scheme, intended to allow Irish employers to compete with the share option schemes used by large multi-national employers to attract and retain employees.

Small business owners care about the environment and have already begun taking steps to reduce their emissions and again this is an additional cost for business. Government must work with us to reduce emissions and transition to a low carbon economy without negatively affecting our competitiveness. The SFA supports the Government to achieve the 2030 targets set out in the Climate Action Plan 2019 but targeted supports and incentives to help small businesses overcome the high capital costs and long payback periods of transitioning to a low carbon economy will be needed.

So when we add the costs of digitalisation, accessing talent, transitioning to a low carbon economy and new costs such as pension auto-enrolment as another example, to the existing high costs of doing business in the areas of insurance, rates, utilities and wage increases there are lots of areas to challenge the competitiveness of Irish businesses and also affect the disposable income in circulation that we all need to keep many of our businesses alive.

As a final but very important point, there is a significant way that our competitiveness can be ensured, in particular in relation to our nearest neighbour which will be a third country to us going forward- and that is by implementing a comprehensive tax policy that is conducive to small business. This needs to be central to the new SME and Entrepreneurship strategy. Budget 2020 introduced targeted incremental changes to our tax policy rather than the ambitious steps the SFA has continued to call for. Changes in our tax policy would impact several areas affecting small business, it would promote innovation, expansion in exports, allow for more capital investment - it would increase the number of business transactions and very importantly raise finance to achieve all these things. I already mentioned the KEEP programme but critical in a tax policy supportive of small business, is a competitive Capital Gains tax and at 33% we have the third highest rate in the OECD – we need to reduce this to 20%. CGT represents only 1% of the State's tax revenue, so there is very little to lose by reducing the rate, but the benefits could be significant. We also need to extend the lifetime limit of our CGT entrepreneurial relief from €1m to €15m to match the UK.

Now I can assure that along with the 12 other SFA council members and the SFA executive we will continue to push for reform in this area on your behalf.

I thank you, our members for your ongoing support for the SFA and for coming here today to celebrate small business. I would also like to pay particular thanks to our sponsor Bank of Ireland who are supporting us again this year.

My thanks of course also **to the SFA executive team** led by Sven Spollen Behrens who does fantastic work on your behalf throughout the year. The team now comprises, of Elizabeth Bowen, Helen Quinn and Briana McTiernan and our new SFA Skillnet is being led by Geraldine Lavin and Tillie Keogh. I would also like to say a special note of thanks to the Ibec events team not only for organising today's lunch but also for all their work on behalf of members throughout the year. A big thank you also **to the twelve members of the SFA Council** who provide constant advice and support to me and to the SFA team on your behalf.

Once again thank you to Bank of Ireland, who have partnered with us on this event for the last three years and it is my pleasure to hand over now to Michael Lauhoff, Director of Business Banking in Bank of Ireland, to address you.