



## SME Advisory Group

Meeting 12 September 2022

### Attendees:

Minister of State Ossian Smyth - Chair	Grant Gilmore - ITI	Jonathan Small - CCPC
Laura Byrne - D/ETE	Karen Hynes - D/ETE	Paul Maguire - EI
Neil McDonnell - ISME	Sean Downey - CIF	Shane Conneely - Chambers Ireland
Elizabeth Bowen - SFA	Aidan Sweeney - Ibec	Brendan Whelan - OGP
Fergal Grogan - OGP	Martin O’Gorman - OGP	Rory Bonass - OGP

### Apologies:

Marina Donohoe - EI	Caroline Sweeney - ITI
Síona Ryan - CCPC	Pauline Mulligan - D/ETE

#### 1. Previous Minutes and Actions Arising

Minutes of the previous meeting of 7 March were agreed and actions noted. Regarding Chambers Ireland’s query on concerns held by school bus contractors, the Minister noted that a degree of risk sharing was necessary in any public contracts, but confirmed that he had raised the query with Minister Foley.

#### 2. Update on Circular 10/2014 Working Group

The Minister noted that the OGP had commenced engagement with public sector stakeholders to ascertain views on the groups’ agreed proposals and suggested updates to the circular.

#### 3. eTenders

Item added as a standing item on the Group’s agenda. The OGP has awarded the contract to provide the new eTenders platform to European Dynamics, replacing EU Supply. The Minister noted that this was the same company that provided the eTenders platform used in Northern Ireland, and that the new platform was due to be adopted Q2 2023.

Fergal Grogan (FG) provided the following update: New system in the implementation phase, with data from the old system being transferred across. For success both systems need to work concurrently. Communication plan being drafted, which will feature updates and tutorial videos, the latter of which will be provided by European Dynamics. Requested the group’s assistance promoting the use of tutorials on the new system.

Ibec highlighted the risk of a lag in the crossover of systems and the need for an assurance of certainty. Minister highlighted that as this was an off the shelf product rather than a bespoke one, the risk is reduced as it is already in use. Brendan Whelan (BW) confirmed that migration plan to ensure no loss of service was in place.

**Action:** OGP to provide update at December meeting on progress.



#### **4. Strategic Public Procurement**

The Minister provided a general update on the status of Strategic and Green public procurement, following inputs from businesses in the area. Raised the need for circular supply chains, moving from manufacture to re-manufacture, the importance of innovation on the supply side rather than creation. Commented on the risk of relying on long, fragile supply chains and the need for locally sourced or salvaged goods that were durable or capable of being repaired. Highlighted the importance of longer life-cycle and energy ratings, and the need to encourage consumer spending on longer life products.

#### **5. Macroeconomic Issues**

At the request of the group this item was added as a standing item, to incorporate any ongoing issues from Brexit or the Covid-19 Pandemic, as well as issues similar in scale that may arise, inflation and the cost of living crisis being the most prevalent at the minute. The Minister began by mentioning the Government's summer economic statement, which included a €6.7bn increase in spending, of which €3bn was comprised of tax cuts. Included in the increase are one of cost of living expenditures. The Minister highlighted that the surge in energy costs was likely to hit businesses before it hit consumers and households directly, with some energy costs being 4 or even 5 times what they were previously.

ISME raised the concerns of smaller businesses, particularly those in rural areas that would operate on very small margins. Indicated that SMEs pondering any sort of deep retrofit in order to be more energy efficient were facing difficulties as they were not seen as good risks by lending institutions. Highlighted the possibility of measures similar to the Fair Deal scheme, with backstops on any funding granted via a lean on future business.

SFA noted that the smallest SMEs (fewer than 50 staff) didn't have the bodies to commit to looking for government contracts, as they couldn't spare either the opportunity cost or the bandwidth. Agreed with point on retrofitting and lending. Said that to ensure the smallest businesses weren't hit they would need to be treated like households. Also pointed to continued costs of Brexit as a result of time delays at ports and errors with paperwork.

Ibec welcomed risk sharing by contracting authorities, but pointed out that this only applied to existing contracts. Any new contracts would need to be negotiated with new prices. Highlighted what they saw as current concerns – a decrease in drawdown due to a lack of consumables, a drop in supply that showed few signs of increasing – and the need for aggregation. Overall said that fear in the market was leading to dysfunctionality and an overall market slowdown, shown by the lack of new competitions going live. Further said that they were seeing no willingness to bid on government contracts and that overall there was low confidence in the public sector market, which they don't see as being sufficiently mature. Indicated that while budget/spend may not have changed, there were still fewer projects in operation. Said that businesses hurt by the ongoing crises of the last few years should not be penalised, highlighting turnover assessment as being flawed as many businesses would have long periods with no turnover as a result of lockdowns, etc.

Chambers asked if there was any benchmarking to show which industries spent the most on energy, and what proportion of their overheads such costs represented, as this would allow the sectors most at risk to be identified. Highlighted the risk to businesses that need to keep certain pieces of equipment on at all times – smelters, businesses that rely on refrigeration, brewers – and asked for clarification of advice around peak-time energy usage.

CIF mentioned issues with price variation clauses in contracts, as estimates are expiring rapidly at the minute. This has a big impact on not only SMEs, but on the State's ability to get value for money. Also mentioned issues with turnover variation. A slight pause in private sector activity was highlighted as an opportunity for public buyers to attract increased interest in public contracts



although there is a need for buyers to follow through on projects. Added to point on spend by indicating a perception of underspending and a lack of utilisation of the pre-procurement design phase.

EI highlighted the risk of displacement in the case of multinationals, whereby a corporation could move operations from Ireland to a different office to cut costs. Spoke about their meet the buyer (MtB) events, which were seeing fewer attendees. Agreed with SFA point on bandwidth and inflation, and with CIF point on quotes expiring before a contract is signed. Happy to see government not applying the brakes to investment.

The Minister acknowledged many businesses have concerns over their ongoing viability, and the ongoing crises were a distraction from the benefits of government contracts. Concerning retrofitting, he said that 3k retrofitting engineers were being trained annually, and that the government were aiming to increase this to 25k. Indicated that while the government would seek to subsidise everyone possible this winter, direct subsidies representing a very poor ROI and that encouraging energy efficiency was paramount. Agreed that turnover was a misleading statistic when assessing a tenderer's viability given the current circumstances. Minister to ask PER if business supports are sectoral or per Kw/h. Said reduction in peak time energy usage was difficult, and highlighted trial being done of emergency texting technology that let all phones in a power grid know if they were at risk of surge and advised users to turn off appliances. Noted a high response rate where this has been trialled in California. Indicated that the Communication Subgroup should inform the main group of upcoming MtB events.

BW agreed with keeping SME bodies informed and reiterated the openness of the public sector market.

**Actions:** EI to notify OGP of upcoming MtB event, OGP to inform the wider group. Minister to check with PER re sectoral supports.

## 6. A.O.B.

OGP are currently engaged in a consultation process with OECD concerning digital transformation of public procurement. This will require stakeholder engagement at a future date. Some questions raised by the Group included: What do the supply side want from digitalisation? A more responsive system? A more accessible ESPD? What will get the most value out of tenderers time?

Ibec state that current digitalisation falls above the EU threshold, saying members often need to print out a form in order to complete it. Welcomed market consultation, but highlighted the need for back end engagement as well. Mentioned that the requirement to register before being given access to tender documents skewed application numbers, and the inaccessibility of tender docs meant CAs were missing out applicants.

EI mentioned the usefulness of a Bid/No Bid calculator, emphasising the 80/20 rule and how it allowed businesses to self-assess and decide what works best for them. This will allow EOs to match up before going through a time-consuming application process.

SFA highlighted the risk to SMEs of cybercrime, citing a huge increase recently and a discussion that had had with the Garda cybercrime unit about criminality in Public Procurement. Wants to ensure any new system will be secure, and asked if any training would be offered. Minister agreed with point about access to tendering docs and the need to register before seeing them, as these are meant to be publicly available documents. Further agreed with SFA point about cybercrime, citing his role as Minister with responsibility for cybersecurity. Confirmed that any new tendering system would need to meet the Public Sector Baseline Standards. Also pointed out that any public sector bidders would need to meet certification standards to prevent supply chain targeting and to minimise risk.



BW confirmed that cybersecurity was a major concern when tendering for new eTenders platform.

**Action:** OGP to inform group when OECD requires engagement. Minister and OGP to follow up on cybersecurity question.