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Assembly

**Committee for Enterprise, Trade and
Investment**

**OFFICIAL REPORT
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**Inquiry into Developing the Northern Ireland Economy
through Innovation, Research and Development:
InterTradeIreland**

29 March 2012

NORTHERN IRELAND ASSEMBLY

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Inquiry into Developing the Northern Ireland Economy through Innovation, Research and Development: InterTradelreland

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Members present for all or part of the proceedings:

Mr Alban Maginness (Chairperson)
Mr Steven Agnew
Mr Gordon Dunne
Mr Paul Frew
Ms Jennifer McCann
Mrs Sandra Overend

Witnesses:

Mr Aidan Gough	InterTradelreland
Dr Simon Grattan	InterTradelreland
Mr Liam Nellis	InterTradelreland

The Chairperson: Briefing the Committee today are Mr Liam Nellis, the chief executive of InterTradelreland; Mr Aidan Gough, the strategy policy director; and Dr Simon Grattan, the EU programme co-ordinator. I welcome you all to the meeting. Would you like to make an opening statement, Mr Nellis?

Mr Liam Nellis (InterTradelreland): Thank you, Chairman, I will indeed. Thank you for the invitation to present evidence to the Committee here today; I am delighted to be here. It is an important piece of work that you are doing, in a very important area. You have already introduced my colleagues, so I will not do it again. I intend to make a brief opening statement, and then Aidan will follow up with the detail and the technical points.

From our point of view, now, more than ever, innovation matters to business and to growth, and the promotion of innovation and development of innovation capability is at the very top of InterTradelreland's agenda. The central theme of our activity is cross-border co-operation, and all of our activities in that space facilitate greater connectivity across both jurisdictions. You may find it interesting that over 70% of InterTradelreland's programme budget is spent helping to build innovative capacity in different ways and to build the capacity of small and medium-sized enterprises (SMEs) to be innovative. That reflects the importance that we attach to that area. Through our programmes and support we are helping companies to spark innovation. That goes right across the spectrum, from the very cutting-edge, high-level, pharma-type companies, through to manufacturing, and even down to mushroom farms. We are touching all companies, from the SME to the big guy. Our programmes

support all aspects of innovation. We have programmes that involve technology transfer into collaboration, equity financing, best practice and advice on innovative capability. This portfolio, which we have developed over the past number of years, has seen a shift in the focus from project-based interventions that focus on R&D and technology to interventions that will embed capabilities in companies to make innovation a fundamental business process.

Existing programmes that we have been operating, such as the Fusion technology transfer programme and our Innova collaborative R&D programme, are very successfully demonstrating the benefits of a collaborative approach in the innovation ecosystem. Collaboration is key. To date, the business value that has been realised by the companies that are participating in our Fusion programme, for example, is £148 million, while £35.8 million has been realised from the Innova programme. Raising finance is very important in this area, as you discussed during Invest NI's presentation. It is a significant issue linked to innovation and includes factors such as timing and the length of a scheme. InterTradelreland has been very active in this space, almost from the day that we started. We fund several all-island business angel networks, and we provide free advice to companies.

We also run an all-island Business Seedcorn competition. Each year, we get over 200 companies presenting business plans with innovative ideas, running through various levels of competition across all parts of the island, culminating in an all-island final. The winner can get €100,000 to invest in innovation and R&D, and that has been extremely successful. We track the companies that are involved in that seedcorn competition, and have done that over the past eight or nine years. We have found that the companies that reach the regional finals and the overall final have attracted way over €120 million already. Those are companies that would normally find it very difficult to attract private investment. We help to raise the visibility of those companies for potential private investment and to make the companies more confident when they meet potential investors, so that they are capable of delivering the pitch in the right shape and the right form to secure the money. A lot of very important work is going on in that area.

However, leveraging the benefits of connections and collaborations is very dependent on a firm's ability to manage them. Some companies are just not capable of doing some of that stuff from the outset and need help and support, so a recent addition to our portfolio on innovation has been the innovation challenge programme. That programme aims to embed a capability in companies to successfully create markets and launch new products and services with minimal time, money and risk. It is a pilot programme, and, although it is still in the early stages, there has been a significant level of demand. We are working on that programme with our colleagues in Invest NI and Enterprise Ireland. The returns on InterTradelreland programmes confirm our view that innovation is not solely a technological or research and development process but is a value-creating business-growth model in its own right. I will hand over to Aidan, who will continue on the more technical side.

Mr Aidan Gough (InterTradelreland): It will be more technical, and, hopefully, not boring. I am sure that you will stop me if it is. I will say a few words on the model or system that structures our strategic intent in this important area for economic development. We see innovation as a collective, interactive and very open process that involves many different players and resources, of which R&D is only one, albeit a very important one. As a result, we do not think that R&D can be considered in isolation but rather as an integral part of a wider ecosystem, as it is termed. This system includes public research organisations, banks, venture capitalists, business angels, financial services organisations, national and regional innovation and development agencies, policymakers, regulators and various intermediary bodies. Government have a role to play in setting the wider framework conditions for the system. At the centre of the system, in our view, is the enterprise — the firm. Getting the interactive system right, from our point of view, is about ensuring that firms can readily connect to the resources that are needed to engage in innovation and, critically, that they have the capabilities to manage those interactions. It is about connectivity and capability for the firm.

We are currently under the auspices of a steering group, along with various agencies and bodies from across the island. We are undertaking a study to determine the characteristics of the wider innovation system across Northern Ireland and Ireland and, crucially, to put enterprise and the firm at the centre. So far, the research has tried to map the systems in Northern Ireland and Ireland. It is benchmarking them against international comparators. We have surveyed 1,000 enterprises across the island to seek their views on how it is performing.

I have some of the key preliminary findings that have emerged from the research. There is a very comprehensive support structure within the system, which is primarily driven by the various agencies such as Invest Northern Ireland. There is a greater difficulty for small companies to access that system and the supports. That is due, primarily, to a narrower range of managerial and technical capabilities in the companies.

Internationally, there also appears to be low levels of venture capital, but, on the other hand, based on international comparators, there are high levels of third-level educated people in the workforce. There are low levels of SMEs innovating through collaborative networks. We have found that SMEs that are innovating are doing so without leveraging external resources. They are almost doing it alone or through their own supply chain, primarily. In general, therefore, SMEs are not practising open innovation and, where they do so, it is confined, by and large, to their own supply chain. For many SMEs, innovation does not necessarily involve research and development. We did a survey through our business monitor, which found that well over 60% of businesses say that they have been involved in an innovative project or process over the past year. That is way above the number of businesses that say they are R&D active. Innovation is a much wider concept than R&D.

Another finding to emerge from the work to date is that the role of intermediary bodies is poorly understood and utilised in the system. Those bodies, or boundary spanners, which is the technical name, help connect businesses to the various resources that they need. A good example of that is the Northern Ireland Science Park Connect initiative.

Given our legislative remit, the ecosystem that is envisaged by InterTradelreland is necessarily cross-border. By being cross-border, we see that it introduces more diversity and opens up complementary resources and competencies to firms in each jurisdiction. By putting enterprise at its centre, we are trying to ensure that the resources, be they technical, financial or otherwise, are readily available and accessible to companies, regardless of which jurisdiction they are located in. That will ensure that creative ideas are commercialised more effectively and more efficiently.

It is very important that we view innovation as a strategic, value-creating, business-growth process. It is not an ad hoc technical project; it is a business-growth process. Innovation leads to business growth. As Liam said, all of our innovation programmes are trying to help improve the enterprise's capability to connect to the resources that they need. Liam mentioned such initiatives as Fusion, which connects a company to a research institution on a cross-border basis. It also connects a company to technical expertise through the graduate who works on it. Innova connects businesses to businesses, and Equity Network connects businesses to finance. The new challenge programme is primarily focusing on small businesses that want to innovate but do not necessarily have the capability to manage an innovation process, to embed innovation within their company or to make innovation the foundation for their growth strategy. We know from our survey that companies that innovate grow much more quickly than companies that do not.

Improving connectivity within the system and developing firms' capability to connect with it can also help increase participation in international R&D programmes. In that regard, we have been particularly active in putting in place schemes to improve North/South collaborative participation in the framework programmes and, looking to the future, the Horizon 2020 programme. We also provide the secretariat for the US-Ireland research and development programme. Details of those initiatives are in the paper we submitted, and we are willing to answer any questions on them.

The Chairperson: Thank you very much, Mr Gough. Any applicant to framework programme (FP) 7 has to have at least two states to provide the basis for that application, and a third partner in another state in the union. That puts InterTradelreland at the head of the game, in partnering companies from both sides of the border. How successful do you think you have been in doing that? The level of success in FP7 has not been that good. Horizon 2020 may be much better. It will be less bureaucratic, one would hope, and wider areas of interest might be available. How do you measure that? What is your assessment of it?

Mr Nellis: Our specific involvement as a broker in this game has been in place only since about autumn of last year. We did not have a specific programme until then, and we brought in Dr Simon Grattan to help and support that.

The Chairperson: Why was that, Mr Nellis?

Mr Nellis: We did not specifically have a programme with the stated objective to encourage greater partnership North/South to attract European funding. We brokered collaborations, but we never had a programme with that specific target. Various experiences were coming through from the earlier framework programmes, and Máire Geoghegan-Quinn became European Commissioner for Research, Innovation and Science and came to speak to the Ministers at the North/South Ministerial Council in sectoral format. One of the things that came out of that meeting was that the ability to attract this money was not universal; it was quite cumbersome and overly bureaucratic. One of her goals was to try to reduce that bureaucracy. I hope that that will flow through from the new Horizon programme. At that meeting, we were tasked by Ministers from North and South to develop a specific programme to enable that to happen, and that is what we have been doing. Through that, as Carol Keery said earlier, we have now developed an all-island group. All the key players are there to go after this funding. We are providing a number of supports to companies and institutions to help secure that funding, because it takes time and money. Those are not necessarily in abundance for the people applying. They looked upon it as too hard to do. They felt that when you got into the system, it was so bureaucratic that the game was not worth the candle. We have to change those perceptions, and that is what we are doing now.

The Chairperson: I want to get back to this point. I am not being critical of InterTradeIreland in this, but FP7 started in 2007, so surely we are playing catch-up in relation to FP7. I do not think that that is good enough. Both governments should have said, "We have a body, InterTradeIreland, which is in pole position to do the sort of work that we want in relation to framework programme 7." It seems a pity that there has been this time lag in realising the potential of InterTradeIreland in relation to applying for European funding. Is that a fair comment?

Mr Nellis: The comment is fair. We are not saying that there was not anything happening; there were things happening.

The Chairperson: I understand that.

Mr Nellis: Our analysis of the work carried out in the framework programmes overall showed that a collaboration with two of the partners from North and South had a better chance of getting through the very difficult process than if they were not two partners from the island of Ireland. The success rate for such applications was marginally higher.

You can look at the size of that pot and think it is massive, but the whole of Europe is going after it. Realistically, even with the wind behind us and our best game, it will still be difficult for companies from the island of Ireland to secure it. However, maybe we were slow to pick up on it.

The Chairperson: There is no point in us hoking through the ashes of the past. What do you think about Horizon 2020? Can we do better? We know the potential is there and it is convenient that we have companies on both sides of the border willing to collaborate. Can we improve with Horizon 2020?

Mr Gough: The statistics that we presented to the North/South Ministerial Council showed that North/South collaborative applications had a higher success rate, so there is good reason to go after them. We are also building on a level of success. There have been over 553 collaborative applicants under EU FP7. So, we are building on a fairly substantial base.

Maybe it was slow to gather momentum because, for a number of years, particularly in the South, there was a massive investment into research and development and the structures supporting research and development. They were very much focused on developing and getting their structures right. Now that they are right and they are happy with that, there is time to collaborate. There is also a much greater focus on FP7 in Northern Ireland, so the time is now right.

Is there scope to improve? As Liam said, we have doing this for about a year, with the appointment of Simon, and have been very specifically getting involved in the nitty-gritty of increasing the number of North/South applications. The first success is the cross-border all-island steering group that we got together, with all the relevant Departments and agencies sitting on that and sharing knowledge and best practice. A lot of positives are coming out from that because the South, as a national member state, has the full national contact network, so it has ready access to what is pertinent within the EU FP7, and knows what calls are coming up and when, and how to access them. That sharing of knowledge has been very important.

The group has also helped us to develop initiatives, the first of which was the conference at which we had over 200 delegates. We are revisiting that in June when we will, hopefully, have Máire Geoghegan-Quinn and the Ministers from North and South addressing that. It will be hosted by Minister Foster. We set a target at the conference last year. We are focusing very much on calls that are coming up. FP7 comes out in tranches of various calls. Last year there was a call for regions of knowledge. The steering group set itself a target of making sure that two very good North/South applications went in. In fact, we got three in. We are developing that model, and the next conference will focus on calls coming up, the next of which is on research for the benefit of SMEs. Therefore, we will set targets to get North/South collaborative applications in response to that call.

We have also, through the steering group, set up a number of initiatives to bring researchers together and SMEs together, so that we have as series of events that focus on FP7. It is not rocket science. Recently, we had an event that focused on cancer research, and that brought together the leading cancer researchers in academia and industry from Northern Ireland and Ireland. We have other events coming up on the environment and health that will bring key researchers from both academia and industry together to focus on the calls that are coming up and facilitating them to go ahead and develop the applications. In the past year, we have implemented a host of other simple, straightforward, practical initiatives. The demand for them has been high. Would you agree, Simon? Therefore, we expect to be able to increase the number of North/South applications both in the latter stages of FP7 and, going forward, for Horizon 2020.

Ms J McCann: Thank you for your presentation. You are very welcome. I will not go into too much detail. On page 4 of your paper, you mention the EU framework programme. You say that the funding moving into Horizon 2020 actually gives you a good opportunity to analyse and put structures in place now. Throughout this inquiry, there has been talk of a one-stop shop, if you like, where businesses could go to access information and, then, be signposted onwards. Particularly given your role and the collaborative way in which you work North and South, do you think that InterTradelreland, for instance, would be a good place to locate that one-stop shop, because you have a North/South and all-island view as opposed to a view that focuses on just the North or the South?

Mr Nellis: I think that that is already happening to a certain extent following the call from the two Ministers at the meeting of the North/South Ministerial Council in Armagh last year, when Máire Geoghegan-Quinn presented. One of the action points that came out of that meeting was that we would dedicate a resource to do just that. Simon is that resource. He has been working very closely, as Invest NI said today, with them and with all of the players, North and South, to, at least, get a focused, consistent approach across all of the agencies, which is a good start.

Mr Gough: We have actually launched an FP7 support website, which offers useful information on all of the supports that are available in Northern Ireland and Ireland. We are also developing what we call an EU noticeboard, which will bring forward those who are developing projects. Therefore, if I am in a particular area, and I intend to make an application to a particular call, I would post on that website what I am doing and that I am looking for partners in such-and-such an area.

Dr Simon Grattan (InterTradelreland): Through the website, we signpost not only local supports, but key European websites — as you say, one-stop shops — and anywhere where there is relevant information or places where people can register as evaluators or register their organisations so that they can be part of the system, if you like, and get the codes and things that they need to actually participate. We have a solid list. We explain what those websites are and how to access them. Therefore, we have

already housed a lot of that information on the website as well as information on other supports that we have.

Ms J McCann: I have another very quick question. You said that, in the past, the collaborative way of pushing that out, for want of a better word, did not work well. Do you, therefore, envisage that it will work better now, and there will be a more effective approach to drawing down money and dealing with that?

Mr Nellis: It was not that it did not work well: nobody was focusing on it. People were focused on many other things. As Aidan said, in Ireland, the main focus was on Science Foundation Ireland and the massive amount of money that was coming in to the Exchequer. They did not really need to go chasing European money. Now, times are tight in both jurisdictions. Now people are looking at that money and saying, "We can get more of that." That is why people are so focused now; the opportunity is there.

Dr Grattan: Critical to that is the information and being aware of who they can partner. We are able to facilitate that for them. Anybody we meet and talk to is more than happy to work with a partner in the North or the South. They are delighted to do so. However, it is about being aware of who is in their space or who, perhaps, is not in their space but with whom they need to collaborate on a particular aspect. That is where, again, through our supporters, we are able to pinpoint those.

Mr Dunne: I welcome the panel once again. It is good to see you. A lot of the issues have been fairly well covered. You will have heard our session earlier with Invest NI. Are you still satisfied that there is a clear distinction between what you are doing in your two organisations and that there is no risk of duplication in R&D? Is that fairly clear?

Mr Nellis: The niche that we have in R&D innovation is that every programme we operate has a North/South dimension. The Innova programme involves a company North and a company South, and the Fusion programme has a university, North or South, working with a company in the other jurisdiction. Everything has that North/South dimension. Neither Invest NI in the North nor Enterprise Ireland in the South has that North/South focus. That is where we make the difference and where we avoid duplication.

We work on all of our programmes with Invest NI and Enterprise Ireland. We have them on our steering groups to make sure that duplication does not happen, because we are very alive to that perception. It is something that both Ministers, but particularly Minister Foster, have been very strong on, certainly in all the meetings that we have had with her at the North/South Ministerial Council and in the presentations she had given to our board. The chair and I have met her on a number of occasions and she is always stressing that. It is something that we are very conscious of.

Mr Dunne: You mentioned some programmes there: the Minister referred to the success of the Fusion programme in the Assembly this week. She made reference to, I think, Fivemiletown Creamery and how its involvement with a graduate on the programme was successful. You mentioned the seed corn business competition earlier. That is an all-island initiative.

Mr Nellis: Yes, it is. We run that ourselves.

Mr Dunne: Has that been successful?

Mr Nellis: It has been very successful from a number of points of view: first, in raising awareness and getting greater participation in innovation, and, secondly in raising the visibility of potential high-growth companies to investors outside. It is modelled on a potential high-growth company that is going to make a pitch to a group of venture capitalists (VCs). That is a very difficult thing to do for a company that is focused on day-to-day activity. Someone from the company gets a few minutes in front of a VC and quite often says the wrong thing or focuses on the wrong thing and completely loses it. You only get one chance to make a first impression. That programme is about bringing companies in through business plans at the start, and, through the various stages of the competition, it will give them

support, advice, training, development, mentoring and masterclasses to up their game, so when they get through to the final pitch at the —

Mr Dunne: They get training, then?

Mr Nellis: What we find is that the companies, even the ones that do not secure a cash prize in the competition, come back and say that the discipline that it brought to their company was invaluable. It is much more than a competition.

Mr Dunne: Good. The other interesting point was about the survey of 1,000 businesses that you referred to in your evidence. It showed that 72% of the firms did not have a formal process for managing new developments or improving the business. That is an area that needs to be moved. That is quite a shocking figure, really, is it not?

Mr Gough: It is, and it has led to our developing the innovation Challenge programme that we are piloting. The Challenge programme is about giving companies the capability to manage an innovation process and base their growth trajectory on innovation. The other finding that makes that one even scarier is the fact that innovative companies are the ones most likely to grow.

Mr Dunne: That is the problem; if they are not looking outwards, they are looking inwards. If you do not keep moving forward, or if you stop, you are effectively going backwards. That is disappointing.

The other factor, after that, talks about their importance. The firms felt that the importance was with staff, customers and suppliers. That is good. I think that we all appreciate those principles. Certainly, in the equality system, those are the sorts of principles that you work to.

Mr Nellis: Absolutely.

Mr Dunne: But they are insular, and that is disappointing. People need to really think outside the box, and more and more needs to be done to broaden that.

Mr Nellis: One of the things that we measure and one of our key performance indicators is first-time innovators. A lot of companies have no history of R&D, have maybe never employed a graduate or have never had anybody with any kind of formal education coming through, other than those with a trade or an apprenticeship. So, what we are really trying to do is to get those companies engaged for the first time in a serious innovative programme with an institution. Quite a lot of them are scared of universities.

Mr Dunne: They would be.

Mr Nellis: The key point of the Fusion programme is to have that engagement in the first place. What we find is that, when companies experience for the first time how a university or a graduate can help them to help develop a programme, they retain the graduates — the retention rate on that programme is over 70% — and they then go on to develop other programmes and approaches to innovation. The key is to have that engagement in the first place.

I want to explain one of the beauties of the Challenge pilot programme that Aidan is talking about. At the start, we invited 100 companies to come along. After a couple of meetings, we let the companies self-select the 10 that we were really going to concentrate on during the pilot to increase their capability. The 10 companies that came through the process were really hungry to do it by the time they got through it, and so their chances of succeeding were much greater. You can get any number of companies to come into a room, but, unless you get people who are prepared to put in the effort, you are not going to go.

Mr Dunne: I think that we covered the issue of framework 7 fairly well. The evidence we have is that firms are clearly reluctant to get involved because of the heaviness of it.

Mr Nellis: Complexity.

Mr Dunne: Yes. They are also reluctant to get involved because of the issue with getting partners throughout Europe and so on. You have appointed a new officer to help out with that. Is it the intention to keep that post and carry it through to Fusion 2020 and so on?

Mr Nellis: Horizon 2020. Absolutely.

Mr Dunne: Is that the intention?

Mr Nellis: It is a permanent post, as far as we are concerned.

Mr Dunne: OK. Will that work across the island?

Mr Gough: Yes. As I said, as part of the conference we are organising in June, we are issuing a call for research for the benefit of SMEs. So, we will set targets to try to get SMEs and, in particular, SME trade associations involved in writing applications to that call.

Mr Dunne: I do not see InterTradeIreland being promoted heavily in the greater Belfast area. I think that we talked about that before. Is there something that you need to do there? Do you tend to work more in the border areas?

Mr Nellis: No. In the past few years, one of the key areas that we have focused on is greater relevance and greater outreach across the island, hitting every part. We organise events in areas where we feel there is not great penetration of understanding about what we do. Our experience is that Belfast and Dublin companies are well aware of what we do. We have been going into areas in the south-east of Ireland and the north-east of Northern Ireland. We have gone to Ballymena, Cookstown and places like that. Those are the areas in which we generally perceive there is no great awareness. Our database shows that we do not have penetration there. Awareness in Belfast is pretty high, but we are always open to organising specific events.

Mr Gough: We measure awareness levels in various areas, and they are fairly high in Belfast.

Mr Dunne: How do you do that?

Mr Gough: We do it through surveys. The awareness levels are fairly high in Belfast. A few years ago, we found that there was less awareness up in the north-east and down in the south-west and south-east, so we took action to address that by running a number of events in Ballymena and Cork.

Mr Dunne: Fair enough.

Mr Agnew: The Chair touched on most of the points I wanted to make about North/South partnerships in respect of applying for European funding. I think that we covered it pretty comprehensively. The only thing that was not touched on was that Invest NI suggested that we could forge better North/South partnerships. I appreciate that you have focused on that in the past year. Since you have done so, what barriers have you encountered? Are there difficulties, or is it working well, now that somebody is focusing on and trying to form such partnerships? Are there still difficulties that you have to try to overcome or are struggling to overcome?

Mr Gough: Simon is the man who is getting his hands dirty here and is probably best-placed to answer that.

Dr Grattan: As I said earlier, the barriers are a lack of awareness. It is the knowledge of who you can partner. Key people will know that. For example, we looked at the cancer element towards the end of last year, and a lot of the key cancer people will know who they are, and that is fine because they will be able to partner up. However, it is not always applicable to partner somebody who is in that sector; they may need somebody who can do database work or something that is not in their exact sphere. So, there is no difference, or it makes little odds, for them to go to France rather than Belfast to find

somebody because, if you do not know somebody in an area, you do not know somebody in that area. Raising that awareness of who might be in their area is key for us — trying to make sure that people are aware that, if they are looking for somebody who can do x, y and z, they should come to us. We can try to find them somebody on a North/South basis to do that. We will try because of the host of reasons that we have stated about why North/South collaboration works, and because of the sheer fact that it is geographically useful for face-to-face meetings, which, for European funding, is what you must do; you have to sit down and be face to face with each other to thrash out the details. The biggest barrier that we have seen and are trying to overcome through our schemes is just that: the awareness of who is out there and what they can do for you.

Mr Agnew: Are you seeing greater success as that awareness increases?

Dr Grattan: Exactly. Yes.

Mr Nellis: There is also the overhang of perception. Many people feel and hear — it is coming across even from your questions — that this is very complex, cumbersome, bureaucratic, hard to do and takes an awful lot of time. So they question whether, in the end, it is worth it. Those are the sort of perceptions that we need to break down.

Dr Grattan: Part of the issue with that is that people are confusing involvement in a project and co-ordinating a project, which are two distinct and different things. Involvement in a project does not require the same rigorous bureaucratic approach as co-ordinating one. That applies even to the difference in financial checks, for example, between a company that is a co-ordinator and somebody who is just a partner in a project. Again, it is about getting the message out to people that they can play a role in a project without having the same burden that they may feel they will have because what they are hearing concerns issues about co-ordinating projects, which is very different. For us, it is an education process to try to encourage people into feeling right to be involved in European projects. If it is right for them to be co-ordinating, that is great, and we will encourage them in that. However, where they should be partners, we are able to express to them that they are not getting into that same level of complexity. It may be that co-ordinating should not be done until you have been through two or three of these projects as a partner to get an awareness of how the systems work and how you do that.

Mr Agnew: Does the co-ordinating role relate to size or experience? Does the largest or the most-experienced partner normally co-ordinate?

Dr Grattan: It can vary. A two-man company in Donegal is running two FP7 projects itself, but that is because the people involved know what they are doing. They have been through other programmes, such as Fusion and Innova. They have experience of R&D and of dealing with reporting mechanisms and that kind of thing. So, the level of knowledge and experience that they bring to it allows them to hold the co-ordination role. It can vary, though, and often the Commission may specify who they prefer. Sometimes SMEs are preferred to co-ordinate, because that sits much better with the Commission's goals. Sometimes, you find that the larger partners want control because their systems and background staff make it easier to make these things happen.

Mr Agnew: OK. Thank you very much.

The Chairperson: We are coming towards the end of the session. The US-Ireland R&D Partnership is an interesting aspect on which you have not commented. That seems to me to be an interesting area. I am not sure how far you have developed it. Will you enlarge on that?

Mr Nellis: I will say a few words and then pass over to Aidan. Dr Bernie McGahon, who directs the secretariat, is with us today as well.

It was a project with a very long gestation. The Washington conference in 2002 was the first time it was agreed that it would good if researchers from Northern Ireland, Ireland and the US could come together as peers to do collaborative research at the high end. That all sounded very easy, but when you started to do it, you realised there were three different funding mechanisms and three different peer-review systems. We were given the job of brokering the collaboration on the island and then

working with the States. It took about five or six years to get it over the line and get the first proposal through. It has now been fairly well tried and tested, and there have been eight or 10 good collaborations coming through. Recently, they expanded into a couple of new areas. Aidan, do you want to say a few words?

Mr Gough: The process has been slow, but the main benefit of the US-Ireland R&D partnership is that, because it was agreed that the projects would be peer reviewed through the US system, when those projects are peer reviewed and go ahead, the participants are branded right away as being world class in whatever area they are working in. We have eight projects that have been approved, with a total value of about £13 million of research and development across the three jurisdictions.

Due to its success, it has expanded into two new areas: energy sustainability and telecommunications. It has also been moved on the US side; it now sits in the State Department. That gives it an even higher profile. So, it is an area that has been successful, and, as I say, it brands the participants as world class.

The Chairperson: Thank you very much for that. Obviously, there could well be very significant potential in that area. It is really just taking off now.

Mr Nellis: It has been in the last couple of years. It is now getting the traction, and it is getting the confidence of people.

The Chairperson: Yes. I thank you. It seems that you have a very important and pivotal role in trying to get collaboration between companies North and South and looking for partners, particularly in relation to European funding, both framework 7 and Horizon 2020. So, it is a very important role that you have to play, and I wish you well.

I note that Mr Nellis is retiring as chief executive.

Mr Nellis: At the end of May. The advertisement for my replacement is going into the paper today.

The Chairperson: And you so young.

Mr Nellis: Absolutely. Now, now. Don't go there, you are the same age. *[Laughter.]*

The Chairperson: I want to take this opportunity to warmly congratulate you on your very fine work over many years and wish you well in your retirement. I am sure that you golf will improve.

Mr Nellis: Hopefully, and my guitar playing.

The Chairperson: Thank you very much.