

BROKEN CONNECTION

IDA chief Martin Shanahan has pulled the plug on ConnectIreland. Gavin Daly examines how a valuable job creation initiative came unstuck

James Moran was working for a tech company in Manchester when he got wind that a call centre operator in the same building was looking at expansion opportunities in Scotland and Wales. It was the summer of 2015 and Moran, who was raised in Donegal, had heard about ConnectIreland, a state-supported scheme that paid a finder's fee for people who made introductions that led to jobs in Ireland.

Moran signed up as a "connector" with ConnectIreland and introduced the company, SLM Connect, into the scheme, persuading the firm to consider Ireland instead. In April last year, SLM announced plans for 125 jobs in Gweedore, north Donegal, and asked Moran to run the new operation.

The investment is a windfall for this rural area — and for Moran. As the ConnectIreland connector, he was in line for €1,500 per job created, up to a maximum of 100 jobs.

ConnectIreland itself, the brainchild of award-winning entrepreneur Terry Clune of the Taxback group, gets €2,500 per job created, payable in two stages after 12 months and 24 months. The funds come from IDA Ireland, the inward investment agency, which oversees ConnectIreland under a contract first signed in 2012.

Ten months on, SLM has 37 people on the payroll in Gweedore, with plans to have 50 by Easter and all 125 by the end of the year. Moran, who has moved from Manchester to Donegal, has still not received a single cent, however.

The IDA has yet to verify the SLM jobs and Moran believes he is "caught in the crossfire" in a row between ConnectIreland and the agency. With ConnectIreland's contract with IDA due to end on March 26, serious differences have emerged between the organisations.

The IDA says it has verified 527 ConnectIreland-led jobs "on the ground" to date, just over 10% of the 5,000 jobs Clune forecast could be created by the initiative. On that basis, IDA has paid just over €2m to ConnectIreland so far.

ConnectIreland disagrees strongly with the figures, saying there are 1,046 jobs on the ground and almost 1,100 more in the pipeline. The company is reported to be looking for another €7m from IDA, and possibly more; in the Dail earlier this month, Fianna Fail TD John McGuinness referred to "a disputed amount of €14m".

The sides have appointed heavyweight legal teams and Moran has consulted a local solicitor to explore his own legal options. "It is a bit sour how it turned out," he says.

"Whatever is going on in the background, it is of no concern to me. I just want to be recognised as the connector."

Clune is an unlikely protagonist in a spat with a state agency. Smart and ambitious but uncomfortable in the public eye, the 42-year-old has built Taxback

into an international enterprise, with over 1,100 staff in 23 countries. Clune started the company when he was still in college, chasing tax refunds for friends who had worked abroad. As well as tax refunds, it now processes travel visas, collects university fees for overseas students, handles customer rebates for big brands, and has a fast-growing money transfer business.

In 2009, the year Clune won the EY entrepreneur of the year award, Taxback made €5.1m profit on revenues of €85m. The company no longer files publicly available accounts, but Clune told The Sunday Times in 2013 that Taxback was growing at 30% a year.

He was sufficiently well regarded to be invited to the Global Irish Economic Forum hosted by the taoiseach Enda Kenny at Dublin Castle in October 2011. There, Clune pitched the idea for a scheme to use the connections of Irish people abroad to create jobs.

KENNY SAID THE RELATIONSHIP WITH THE IDA MIGHT HAVE BEEN INCORRECTLY STRUCTURED

With unemployment running above 14%, Kenny embraced the idea and it was included in an action plan for jobs launched in February 2012. IDA was appointed to run the scheme, called Succeed in Ireland, and ConnectIreland, a private company personally funded by Clune, landed the contract to run it.

ConnectIreland hit the ground running, with high-profile video endorsements from the actor Martin Sheen, the businessman Peter Sutherland, the dancer Michael Flatley and the racehorse trainer Jim Bolger. Michael O'Leary, the hard-nosed Ryanair chief executive, gave the venture free advertising space in the airline's inflight magazine, and ConnectIreland had a stand at Dublin airport to sign up visitors as connectors.

In theory, there should not have been much crossover

between ConnectIreland and the day-to-day work of IDA. Clune's company would specifically seek to bring in companies that had not been actively targeted by the state agency, which is very well regarded internationally.

In practice, that meant ConnectIreland would submit each potential investment lead to the IDA for screening. The IDA would scan its databases and check with its domestic and overseas staff to determine if it already had contact with the company or if the company was on an IDA target list.

Under the "green light / red light" screening process, IDA could approve or block an approach by a connector to the target company. It should have been relatively straightforward, but turned out to be anything but, say sources.

"It was the first initiative of its kind, and the first contract of its kind, involving FDI [foreign direct investment] and job creation," said one source. "From day one, it was a heavily legalistic engagement."

In comments at an Oireachtas committee earlier this month, Kenny said the relationship "might have been incorrectly structured at the beginning with the IDA". The taoiseach added: "I know that there were some pressures and differences of opinion as to how that happened."

One FDI source said the relationship was complicated by the long-term nature of job creation projects. Though ConnectIreland added tens of thousands of connectors — with the figure now at almost 80,000 — jobs were slow to materialise, with just 140 created in the first year.

The initiative was continued after a one-year pilot programme, nonetheless, and ConnectIreland moved into a lavish Georgian building at 14 St Stephen's Green in Dublin, shared with Taxback. At an event in the building last week, Joanna Murphy, chief executive of ConnectIreland and a former contestant on The Apprentice, said the location meant visiting executives could walk around to Leinster House to meet ministers and senior politicians.

Relations with the IDA were less cordial. Sources say differences emerged as early as 2013 but were kept under wraps.

A review of the initiative the following year by DKM Economic Consultants rang some alarm bells. It noted the IDA had not been given any extra funds by government to cover the cost of the programme. Yet if ConnectIreland delivered the forecast 5,000 jobs, at a cost of €4,000 a job, it would add up to €20m, plus admin costs.

"If ConnectIreland does start to generate large numbers of jobs, the budgetary implications for IDA will become significant," the report noted. It said the set-up "would clearly not be sustainable" and the costs should be absorbed by a government department.

While it was on the hook for the bills, though, the IDA would not get any credit for the jobs created because ConnectIreland jobs do not count towards IDA targets. As a result, there was "a degree of non-ownership" of the initiative by the IDA, said DKM. The agency did not usually attend ConnectIreland events or publicly endorse the programme.

"To a significant degree, the two [the IDA and ConnectIreland] operate in the same markets, and the separate targets mean that they are effectively in competition," DKM said.

The DKM report did praise ConnectIreland, describing it as "remarkable value for money from the state's view-



Clune may be €5m out of pocket

point", with no upfront cost to the state and the €4,000 per job payable only over two years. The cost per IDA-supported job sustained in 2009-15 was €10,553, according to the agency's 2015 annual report.

DKM also noted ConnectIreland-led projects were, by their nature, greenfield investments, while many IDA projects were expansions by existing clients. Following the DKM review, the IDA contract with ConnectIreland was tweaked in 2014.

The initiative was due to end in March last year but was extended for 12 months. It is understood the IDA would have been happy for the contract to end but there was political support for its continuation.

Under the new contract, no financial rewards would be paid for companies introduced after September 26 last year, leaving six months to wind

down the scheme. It is understood ConnectIreland believed the IDA would seek tenders for a new initiative but, with unemployment down to 6.8%, that will not happen.

"IDA Ireland has decided not to tender for a new Succeed in Ireland programme at this time," it said last week.

Clune said last week he was disappointed but declined to comment further because of confidentiality agreements. It is understood he has spent about €7m of his own money on ConnectIreland, suggesting he is at least €5m out of pocket.

"It was always a non-profit venture — but the money was not a gift," one source said. Clune is said to be aggrieved at what he sees as the shortsightedness of shutting down the initiative. He takes the view that the IDA is abandoning the almost 80,000 ConnectIreland connectors and the jobs they could generate. "There is enormous value in the pipeline," said one source. "Why would the state agency in charge of job creation not renew something that is bringing in jobs?"

Clune and Murphy have been fighting their corner since late last year. John Moran, a former Department of Finance secretary-general, began acting as a go-between for ConnectIreland with the IDA.

Paul Gallagher, a former attorney-general, is representing the company, backed up by lawyers from Arthur Cox, a leading legal firm. Senior counsel John Gleeson is working for the IDA, with lawyers from Beauchamps.

Mediation talks took place in October and again this month at the Four Courts in Dublin, with the parties in separate rooms and lawyers shuttling between them. No resolution has been reached in the talks, mediated by Maurice Collins, and negotiations continue.

Among the issues in dispute are the IDA's procedure for verifying jobs, which ConnectIreland believes is overly onerous and keeps job numbers low. It is understood there is also disagreement over how some ConnectIreland leads were "red-lit" by the IDA, and the timing of approaches to some companies by the agency.

The IDA would not comment on whether ConnectIreland was seeking extra payments or had threatened legal action. "IDA Ireland does not comment on relationships with individual contractors," it said. If an agreement cannot be reached, the next step could be arbitration. In the Dail earlier this month, the jobs minister Mary Mitchell O'Connor said both sides had agreed on an

arbitrator, though it is understood the process can be triggered only by ConnectIreland.

Clune is believed to be reluctant to start arbitration, however, because of the optics of a very public dispute with a state body. ConnectIreland instead hopes for political intervention, going over the head of IDA chief Martin Shanahan.

In recent months, questions about ConnectIreland's future have been raised in the Dail by Social Democrat TD Catherine Murphy, Martin Heydon of Fine Gael, and Michael McGrath, Niall Collins and John McGuinness of Fianna Fail.

Mitchell O'Connor has said her department will commission a review of the initiative once the ConnectIreland contract ends, and look at the possibility of a new programme.

Clune wrote to Kenny last week, urgently seeking a meeting. Murphy, meanwhile, was in the Dail last Wednesday, lobbying politicians in an effort to muster cross-party support.

It is understood they want the Oireachtas committee on foreign affairs and trade to introduce a motion calling for ConnectIreland to be allowed to continue operating while it is reviewed. In the longer term,

one option could be to put the initiative under the remit of the Department of Jobs, Enterprise and Innovation or Enterprise Ireland, rather than the IDA.

There is an extra urgency to the lobbying. Kenny has indicated he will set out plans for his departure after St Patrick's Day, triggering the appointment of a new taoiseach and likely a cabinet reshuffle.

Meanwhile, James Moran has sought legal advice, but hopes the matter can be resolved outside court. "I'm not going to let go of it," he said. "I have put a lot of work in — and I know I'm in the right."





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