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**Islands in the ESIN network: New perspectives on island enterprise.**

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My presentation today is about the issues surrounding island Entrepreneurship and the state of play for the micro and small enterprises on the smaller islands of Europe.

It is informed by research carried out at the University of the West of Scotland and HeriottWatt University by Kathryn Burnett and Professor Mike Danson, and at the université de Bretagne by Professeur Louis Brigand. The latter has been looking at the issue of island entrepreneurship in a novel and innovative way, with 153 interviews of islands entrepreneurs and decision makers on 15 islands and 2 workshops, which were filmed and broadcasted in a programme called ID iles- Ideas islands. It is also informed by the feedback from the 11 islands federations that are ESIN members.

**1. The will to live on an island**

One of the main research findings is that there is a majority of small and micro enterprises, especially on islands that are experiencing in-migration.. The ratio of enterprise to population number is generally much higher: on 15 French islands that were studied, there are a total of 2.785 entreprises, one enterprise for every 5 inhabitants, whereas on mainland France, the ration is one enterprise for every 16 inhabitants. Unsurprisingly businesses with salaried employees are much less common on smaller islands than on bigger islands or the mainland.

* **What is very characterisitic of enterprise on our small islands is that it appears to be based first and foremost on the will to live on an island:** 60% of the Bretons entrepreneurs are people who chose to come and live on islands. Creating an enterprise is for them a way to stay on the island they had chosen to move to. They are either people who have come on holiday or had holiday homes and have been seduced by the island way of life into staying permanently. What is important for them is the social aspect of life on island, the strong sense of community and the slower pace of life, away from mainland pressures. They want their businesses to allow them to make a living on the island, although earning money appears to be a secondary consideration, as they often earn less than that they used to or could earn on the mainland. They appear to compensate by limiting their consumption.
* **A new trend:** This is a trend that can also be found in Scottish, Danish, Swedish, Finnish and Irish islands. The motivation to create an enterprising activity for those new islanders is common to all island enterpreneurs: it is the will to live on the island of their choice to take advantage of the quality of life on offer. Their business is the result of a personal project, which they have nurtured and brought to fruition. A large proportion, about half, has chosen to change their profession or occupation to come and live on the islands and two third of these chose to undergo training to prepare for this change.
* **The young islanders’ return:** We also find that young islanders who have been away also want to come back when they are ready to raise a family, because they value the quality of life on island and want their children to enjoy it in their turn. Whereas up to 20 years ago, children were encouraged to go away to make a living, their return to the island is now seen in a very positive light, and is often a source of pride for the family.
* **Support systems:** new islanders and returners often find support in their families and often use family members as employees in their business. However, in the great majority of cases, we are talking about very small businesses without salaried employees.
* **Tourism and new areas of activity** Tourism is still the main resource for island businesses. In Brittany as in many other islands in the ESIN network, half the businesses created have a direct link with tourism, and are dealing with accommodation and food. Often, their unique selling point is to offer a taste of the islands, directed at customers with a rising disposable income who are looking for an authentic experience.

 With the use of new technologies however, a new field of activities has also opened on islands, capitalising on their potential for renewable energy, be it solar, hydro or wind generation. We now see the emergence of community businesses that are producing energy for local consumption as well as export, thus providing attractive job prospects for young islanders. The potential of using waste as part of the circular economy is also on the rise, with a particular emphasis on trying to close the loop between food production and food waste.

**2. The difficulties**

* Entrepreneurship thus appears to correspond to a real island dynamic. However, if this is very positive, the fact is that there are many issues to address for entrepreneurship to continue developing and for islanders engage in entrepreneurship to really prosper. In general, small fledgling businesses everyone encounter risk and difficulties but on the islands the obstacles are different, additional and exaggerated: these are for example, high input costs, limited market, high export costs, premises, accessing finance, digital connectivity.
* **Lack of institutional support:** All too often, business creators on islands feel that they are not listened to nor supported. They find thatsupport agencies tend to support larger enterprises and focus on their export potential, ignoring smaller businesses and the role and importance they have in maintaining the island social fabric. There isn’t enough understanding of the situation on the islands, the scale of opportunity, the value or the needs of micro-business – most are below the radar of national statistics and data and therefore perhaps not recognised or reflected strongly in policies that drive support.
* **The LEADER programmes** have been very important in supporting such initiatives, but the unanimous verdict on the latest round of funding is that it has become very complicated and bureaucratic, and appear to be directed at much larger projects, with new set of rules now precluding smaller businesses from applying for support.
* **State Aid: De Minimis:** One important consideration is the issue of the De Minimis rule. The 200, 000 euros limit over a 3 year period does not take into consideration the especially high costs of materials on remote islands due to transport overcost of 30 to 40%, and the general rise in costs. By contrast the De minimis threshold has not been raised in the last 10 years.

For island businesses, and especially community businesses, wanting to invest in their infrastructure, this is a real problem: Fragile island communities are now having to drop important community projects despite those projects being viable, feasible and eligible for funding because they are reaching the 200,000 euro limit with no other funding being available.

One example is a proposal for a community owned 4G mast on Tiree which was being fast tracked for progress, with funding in place until a review of the de minimis levels revealed that funding would exceed the 200,000 euros limit. As a result, the project was put on hold. As island communities develop their infrastructure and corporate structures, the £200,000 limit for an overall group is easily reached. An urgent change is needed: the de minimis threshold needs to be reviewed as a matter of priority, and a particular case needs to be made for islands communities, given the substantial premium charged for island deliveries.

There should also be a recognition that offering financial help to islands is not distorting the market, but simply allowing the islands to compete on a more equal footing.

* **Procurement rules.** In terms of procurement rules, what we find is that there is a legislative layer that is insensitive to the island reality as well as a lack of understanding of the way local economy operates on an island. Procurement issue rules are actually weighted against micro, small and medium size enterprises. The rules look only at minimizing expenses for the central body without seeing the local implication. In the Scottish context, we often see the absurd situation of contractors outwith the island being selected against local contractors for painting or repair jobs that could be easily carried out by them. The same applies to paramedical services in Finnish islands: an island physiotherapist might not be used, because of health authorities procurement rules discriminating in favour of mainland practitioners, thus preventing islanders from benefiting from the service and deprive the local practitioner from a much needed income.
* **Transport costs :** An important factor is the overcost due to transport, which has been calculated to add 30 to 40 % to the cost of island products. Export of island products is suffering from this as it reduces the islanders’ profit margin by a similar amount. Policies applying reduced cost for transport of fishing and agriculture products should be more equally applied. Island enterprises would certainly benefit from free or reduced costs as in the Nordic countries. In Scotland the application of a Road Equivalent Tariff policy have largely benefited tourists and have done little to lower freight charges.
* **Access to land, buiding and housing:** another issue that has been identified as a barrier is access to land and buildings the cost of which can be prohibitive to the start up entreprise. Positive examples from France shows the support role local government can play by making buildings available for business units as well as land for fishermen or farmers to build storage sheds.

However, for young people in many islands, who constitute an important category of new entrepreneurs, it is the difficulty in accessing housing which is a real problem. They are unable to realize their enterprising potential because they cannot compete with the prices that tourists pay for island accommodation and are often unable to settle back.

**3. New ways of doing things for primary activities**

However, recent progress in connectivity and an increasing desire for consumers to buy directly from producers have seen the emergence of new initiatives, markets and direct supply chains.

* **Direct supply chains:** in France we are witnessing the development of AMAPs, networks that put producers and consumers together to create a new way of consuming, by passing the middle men. A very successful AMAP is the fish AMAP in the island of Yeu where fishermen and shellfish producers have organized themselves to sell their production directly.
* **Digital platforms:** 10 years ago, 1/3 of entrepreneurs in Brittany did not use the internet to publicise and sell their products. In contrast, we now have the example of the use of social media by Danish fishermen for direct sales of their catch. Another success story is the Danish island food producers who developed an island label which is now a guarantee of quality and have organized themselves in food networks. Together with mainland food networks, they are using a digital platform to allow their product to be purchased in a virtual supermarket, where customers can use a variety of parameters to select and buy the products directly from the producers. Publicity about food markets and food events is also made available through this digital platform.
* **Other initiatives related to tourism and environment and the creative industry**: in the agricultural sector we now see the development of partnerships between farmers and natura 2000 contracts, as well as the development of agrotourism mirrored by pescatourism initiatives.

A good example from my own island is the Eigg Box social enterprise where one individual created a business out of helping and mentoring island creatives to allow them to become more competitive and market-oriented. It has been very successful and has a potential for franchising that has so far yet to be developed.

* **Cooperatives:** There is growing realization that it is better to cluster to sell rather than working in isolation. Producers’s cooperatives are common in Scandinavian countries and have been used widely. This is also true for the Irish islands. A new model has also emerged in Brittany: the CAE or Cooperative of activity and employment. Rather than create his own structure, a new entrepreneur can join a cooperative of activities and employment (CAE) as an economic grouping of entrepreneurs. This form of entrepreneurial collective offers a more secure solution for launching an activity, as the budding buinsess benefits from an existing legal framework, social protexction and an entrepreneur statute paid through a permanent contract. As all the administrative management, taxes and accounts are pooled, this framework enables the entrepreneur to concentrate on its activity in the knowledge that he has some security and social protection. The CAE acts as a real entrepreneurial platform and allows members to share their experience and feedback, generating opportunities for innovation.

**4. The future: islands as test beds of sustainability.**

In conclusion, it increasingly appears that islands are becoming places where new, more sustainable ways of developing are emerging, that are also environmentally and socially conscious.

From being considered as economic and social backwaters, the islands are now re-appraised as attractive locations, championing indigenous ways of life. This is creating new opportunities for islands to brand their products and sell them to a much broader market. The dominant rhetoric is “small, niche, perhaps crafted, and local.”

* Products now range across tourism, food and drink, craft, arts and heritage but we now see the emergence of renewable energy, clean technologies, biomass developments, media and digital tele-networking as new, innovative island products.
* There is a real need to offer training and support to island businesses so that they can maximize the potential offered by new ways of shopping using the internet and social media. A mentoring program for micro-enterprises would be really useful!
* There is a real potential for island champions to be used to actively promote the islands successes with active use of social media and digital narratives that circulate images and accounts of enterprise stories, products and people.
* However, for this to happen across all our small islands, we need a proper description of the island conditions and environment for the performance and behaviours of island entrepreneurs to be properly understood. Their reality must be captured at a different statistical level than the current NUTS2 level, where the smaller islands simply are not represented. Only then will it be possible to identify and resource fit -for -purpose development strategies, which will recognize the different requirements and challenges faced in the islands and add value to policy-makers interventions.
* More research is also needed in the evolution and transformation of our islands’ remote and fragile economies and more island exchanges for the islanders themselves to become aware of their entrepreneurial potential through comparing their experiences.