

CCBS – LEGISLATIVE AFFAIRS

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Northern Ireland
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Tuesday 26 May 2015

Oral Answers to Questions: Agriculture and Rural Development

Summary: During questions to the Minister of Agriculture and Rural Development, Mr McMullan asked the Minister to update the house on her efforts to address rural crime. Minister O'Neill advised the House of the joint work being taken forward by the PSNI and Garda Síochána to combat crime in border areas. The Minister also advised that house that she raised the issue of fuel laundering with her counterpart Simon Coveney at a recent NSMC meeting and reiterated her commitment to make sure her Department will play its role in tackling fuel fraud.

Mr McMullan asked the Minister of Agriculture and Rural Development for an update on her efforts to address rural crime.

Mrs O'Neill: *I am very aware of the real concerns that levels of crime are causing amongst the farming community, including the number of livestock thefts that have occurred on farms. I have met the PSNI Chief Constable and the Minister of Justice on a number of occasions and made them aware of my concerns. I explained the real worry that this was causing in rural areas and highlighted the need for something to be done. Responsibility for tackling rural crime lies primarily with the PSNI, but DARD, through its veterinary service enforcement branch and CAFRE, works closely with the PSNI, particularly in relation to the detection, tracing and recovery of stolen livestock. I am aware of some local PSNI initiatives to prevent rural crime. Those are to be welcomed. I am also aware of joint work being taken forward by the PSNI and an Garda Síochána to combat crime in border areas. I welcome the multi-agency approach that has recently resulted in the recovery of stolen animals, arrests and convictions in the North and ongoing prosecutions in the Twenty-six Counties.*

Mr McMullan: Go raibh maith agat. I thank the Minister for her detailed answer. Can she give us any details of her discussions with her counterparts regarding fuel laundering and associated crime, particularly in the border areas?

Mrs O'Neill: *Yes. I have recently had a conversation and a meeting with the Minister of Justice, David Ford, about the measures that have been taken forward right across the island to tackle fuel crime. It*

is something that is 100% condemned. We need to continue to work together to resolve it. As I said, I think that the multi-agency approach, with the gardaí and the PSNI working together, has been most effective. Whilst it is too early to say, we are hopeful that the new detection mechanism that has been inserted into the fuel, which is being taken forward by HMRC, will yield improvements and act as a deterrent to people being able to launder the diesel and things like that. I raised it also with Simon Coveney at a recent NSMC meeting. In terms of my responsibility, I am very clear about making sure that we are to the fore in doing everything we can. My Department will play its role in tackling fuel fraud but also rural crime in general.

Link: <http://data.niassembly.gov.uk/HansardXml/plenary-26-05-2015.pdf>



Tuesday, 26 May 2015

Joint Oireachtas Committee on Jobs, Enterprise and Innovation

Summary: Here the Joint Oireachtas Committee on Jobs, Enterprise and Innovation resumed its discussion on the all-island economy, with a view to generating recommendations on how to enhance economic co-operation and alignment across the island. Presentations were provided by the Nevin Economic Research Institute, Dr. Tom Healy, director, and Mr. Paul Mac Flynn, economist; from the Enterprise Research Centre at Warwick Business School, Professor Stephen Roper, director; and Dr. John Bradley, principal at Economic Modelling and Development Strategies.

Dr. Tom Healy:

I thank the committee for the invitation. As the committee will be aware, the Nevin Economic Research Institute, NERI, is organised on an all-island basis and reflects the support we receive from trade unions across the island of Ireland and the Irish Congress of Trade Unions. It seems to us that the area of research on the cross-Border or all-island dimension of both economies is a vital area that has perhaps been neglected in the last ten or 20 years.

Paradoxically, it may also be connected to the peace process because aspects of cross-Border co-operation became more normal and the saliency of addressing particular issues on an all-island basis became less evident. At a professional level, it seems that cross-Border exchanges among economists and analysts is not what it could be. There was more professional engagement at various levels 20 years ago. I wished to make this point at the outset because it is also welcome that various bodies, including the Centre for Cross Border Studies, which has existed for many years and, more recently, the management school in Queen's University Belfast, have engaged more with this aspect of the all-island economy. However, much remains to be done. We are joined today by other research colleagues who have been working in this area for many years.

One of the benefits of focusing on the all-island economy is that it identifies how we fit into a global economy as a small, open, regional economy with significant exposure to international events and patterns of trade and investment. However, the extent of exchange trade between the Republic and Northern Ireland is still limited, for example, in manufacturing goods and exports. I am aware that the committee received a presentation from InterTradeIreland. We estimate that the value of merchandise good exports from South to North does not exceed 2.1% of the total in recent years. This percentage has decreased a little since 1996. There has been a modest upward trend in cross-Border trade since 2009, but it is limited in terms of merchandise goods. Unfortunately, we have less insight into trade in services. Tourism has developed and grown, more so in the direction of North to South. There are still barriers of one sort or another, established paths of dependence and habits of exchange and trade, that mean that there are untapped opportunities.

The energy market is more organised as an all-island reality, but there are still major opportunities. I wish to mention the importance of investment in natural resources and renewable energy and the opportunity to develop further critical investment in these areas. As an island and taking both economies together, we are exposed and vulnerable to international shocks in the price of energy and the supply of fossil fuel imports. We need to reduce our dependence over time. This calls for strategic investment in new forms of energy supply. As a country and island, we have considerable resources in our oceans and wind compared with other parts of Europe. These should be developed.

Regarding the possible value of oil and gas explorations off the coast, the collapse in crude oil prices represents a problem. None the less, a suggestion that is worth exploring further in the long term is that we should re-examine the terms and conditions applied to oil and gas exploration. It may be possible to channel some of the economic benefits and tax revenues, if there are commercial finds, into some kind of fund that could be organised on an all-island basis so as to invest in the areas that I mentioned. This would require long-term, courageous, strategic thinking that took us beyond the limited scale, such as it is, of cross-Border co-operation.

Mr. Paul Mac Flynn:

I thank the Chairman and members for the opportunity to contribute to this discussion. I will begin by giving a brief overview of the two economies on the island and how they have each experienced the recession. Both jurisdictions underwent a substantial economic downturn following the financial crash in 2008. While the experience of property bubbles and bank failures is common to both, the scale of externally imposed austerity and outcomes in the labour market have been very different. For instance, house prices in Northern Ireland increased substantially in the two years prior to the crash before reaching a peak in 2007. By contrast, the increase in prices in this State followed more of a trend growth from the previous decade, which led to a situation in which we have proportionately more people in negative equity in the South, or in much deeper negative equity, compared with the situation in the North. Northern Ireland's property prices are still 50% below where they were before the crash.

In terms of the labour market, while unemployment reached a peak of 13% in this State, it peaked at just above 8% in the North in early 2013. In respect of the banking sector, financial institutions in Northern Ireland faced similar losses to those in the South, but the cost of this was borne either by the British or Irish Government, depending on where the institution was headquartered.

Northern Ireland has experienced a significant cut in Government expenditure since 2008 in line with the rest of the UK, but its experience has not been of the same scale as the rest of that country. Austerity measures are estimated to have totalled some 18% of GDP in the North, compared with a UK figure of 9%. The North saw the largest fall in incomes of any UK region over the course of the recession and is now the lowest-income region. Incomes in the Republic also fell significantly, but the downward trend began much earlier, in 2008 and 2009, compared with 2010 and 2011 in the North and the rest of the UK.

In terms of barriers to the all-island economy and increased trade, the currency issue has become much more current given recent fluctuations. As Dr. Healy mentioned, the trade in manufactured goods was roughly equal between both economies until 2001. Trade from the Republic to Northern Ireland dropped off significantly after that, however, aided by a sharp depreciation in sterling in 2002. Exchange rates then stabilised until a further significant devaluation of sterling arose in 2008 and 2009 following the financial crash. The advent of the euro has meant that the exchange rates between both jurisdictions on the island are less sensitive to changing economic conditions in each jurisdiction. While that has advantages, particularly for this State, in terms of increased trade to the rest of the European Union, it also has had an unintended consequence. The most recent depreciation of the euro following quantitative easing by the European Central Bank highlights the remoteness of such decisions.

Areas close to the Border, on either side, have maintained some of the highest levels of unemployment and lowest levels of productivity in Ireland and the UK. On the idea of introducing a development zone, I am concerned that the experience of such zones, referred to as enterprise zones, in the UK has not been convincing. There is scant evidence that favourable tax treatments or increased capital allowances have made any inroads into encouraging economic development. Perversely, where enterprise zones were considered to have been moderately successful in the UK, it was found that rather than creating increased economic development, they merely drew in economic development that would have transpired in surrounding regions.

Therefore there is a danger that focusing on supply side initiatives in one particular geographical region may ultimately create areas of economic underdevelopment in surrounding regions. However, there are opportunities to harness cross-Border co-operation to enhance the Border region, particularly with regard to public services and in the important areas of education and skills, in order to remove a possibly false limit on economic growth.

With regard to a job creation strategy, NERI has been producing research on the need for a significant rethink of industrial policy in both Northern Ireland and the Republic of Ireland. In particular, the current trajectory of policy would indicate that the Northern Ireland Executive intends to attempt to compete with the Republic of Ireland in terms of job creation and foreign direct investment. I refer in particular to the current plans to devolve and reduce corporation tax powers in Northern Ireland, which would signal a dangerous shift away from all-island co-operation and could lead to a dangerous race to the bottom in terms of policy. The Northern Ireland economy has suffered years of under-investment in both the public and private sectors and consequently, any claims that Northern Ireland could emulate the perceived success of the Republic of Ireland economy in the 1990s by simply reducing corporation tax is misleading.

Professor Stephen Roper:

I am pleased to be here and to be reunited with one or two old colleagues around the table whom I have worked with previously. I am professor of enterprise at Warwick Business School in the UK. At Warwick I lead the Enterprise Research Centre, or ERC, the UK's national centre for research on small and medium enterprises. The ERC is a collaboration between five UK universities - Warwick, Aston, Imperial, Birmingham and Strathclyde - and is funded by the UK Government, the UK's major banks and one or two of our targeted agencies, including Innovate UK. Therefore, we have a very strong strand around innovation and exporting.

My interest in the all-island economy is long-standing. Before moving back to England in 2003 to take up a chair in Aston, I worked for nearly 20 years in Northern Ireland in economic research centres. I worked with Dr. Tom Healy for a while and I have written extensively on the all-island economy and particularly on issues related to innovation and innovation promotion. I also had the chance to spend time at the ESRI in 2003 working on some issues around the broader Irish economy.

I welcome the committee's focus on trying to build stronger synergies across the all-island economy. This all-island perspective on policy-making is long overdue, in my view, and it is a welcome development. I also welcome the focus on trade, but I think that any focus on all-island trade - on cross-Border trade - is somewhat misplaced. Instead, I wish to see the committee focusing much more broadly on emphasising exports from the island of Ireland rather than on exports within the island and on exploring mechanisms that can be put in place to strengthen businesses and collaboration between businesses to enable them to innovate and export from the island. Therefore, I wish to make some remarks about the mechanisms that might be adopted for building co-operation between businesses to enable them to become more effective innovators and exporters. In some ways, this reflects closely the original objectives outlined in the Bradley Best report, which seem to me to have been rather lost in more recent discussions about the cross-Border enterprise zone, the objectives of which have become very much less clear.

Recent research has emphasised three findings. First, innovation and exporting are very closely related. Small businesses that export grow more than twice as fast as those that do not, while internationally active SMEs are three times more likely to engage in innovation of products and services. These two things go together. Second, innovation is very much enhanced where firms work in partnership with each other or in partnership with external organisations.

That innovation then provides the basis for exporting. Indeed, one study we recently published, based on data from the Republic and Northern Ireland, suggests that for small firms with fewer than 50 employees, approximately 40% of the value of their innovative activity derives from partnerships rather than from knowledge that is developed within the firm. Those external links are hugely important for small firms in driving innovation. For large firms it is approximately 25%, for smaller firms it is approximately 40%, so that is quite a big difference. Of course, the Borderzone, particularly in the central Border, is dominated by those types of smaller companies.

The third big picture research finding over the last few years is that productivity gains arise when innovation and exports come together. In a sense what we want ideally is to encourage firms to be innovative and then to export the results of that innovation. We have taken some useful steps already in promoting innovation across the island wide economy through things such as the

innovation vouchers programme, a cross-Border initiative between Enterprise Ireland and Invest NI. However, we can do more and there are three particular areas where we might consider more activity.

The first is brokerage. This is the idea that small firms often find it very difficult to identify the partners that they might use for joint innovation and, potentially, joint export initiatives. We could do more to broker partnerships between small businesses to generate those things. In the UK we have been playing with policy initiatives such as growth vouchers and creative credits to try to form these innovative partnerships.

The second theme, and it follows from the first, is that we could prioritise support for collaborative innovation. Typically, in the past we have supported, through Enterprise Ireland and Invest NI in the North, innovation by individual businesses, but increasingly we have learned that it is partnership or network based innovation which is really most important and provides perhaps a more successful basis for exports. Prioritising that type of collaborative innovative activity might be more important.

Third, I believe supply chains offer an opportunity. We have a number of supply chains which have a significant cross-Border dimension. They offer the opportunity for the upgrading of SMEs, innovation along the supply chain and the potential for building a stronger innovation and export base both in the Border region and in the wider Irish economy.

Dr. John Bradley:

I am very honoured by the committee's invitation to the meeting to discuss issues related to the all-Ireland economy. Starting in the late 1980s, I have worked on many aspects of North-South economic and business relations and the island economy. My mentor in this area was the late Sir George Quigley who, together with Dr. Liam Connellan of the then Irish Business and Employers Confederation, IBEC, first established the notion of all-Ireland as a legitimate area of research and policy action.

I guess the main reason I am before the committee is that in 2012, I co-authored with my American colleague, Professor Michael Best, a report for the Centre for Cross Border Studies entitled, "Cross Border Economic Renewal: Re-thinking Regional Policy in Ireland". During this work we spent time getting to know the cross-Border area, talking to stakeholders and visiting a series of entrepreneurial companies. The lessons that we learned highlighted the weaknesses of strategic thinking in the area of regional development in both jurisdictions and the urgent need to join up thinking on regional development policy with enterprise development policy in areas of the island characterised by peripherality, rural demographics and the complication of the policy fault line between North and South. I look forward to discussing these issues with the committee.

Link: <https://www.kildarestreet.com/committees/?id=2015-05-26a.31&s=cross+border#g33>

Tuesday 26 May 2015

Seanad debates

Customs Bill 2014: Second Stage

Summary: The purpose of the Customs Bill is to consolidate, revise and modernise Ireland's existing national customs legislation, some of it dating back to the Customs Consolidation Act 1876. The Bill can thus be seen as a milestone in the Revenue Commissioners' comprehensive programme to consolidate and modernise tax and duty legislation. During the second reading of the Bill, Senator Hayden noted the significance of Ireland's external border with the UK and the impact of non-membership of the Schengen Agreement upon monitoring and maintain customs services.

Aideen Hayden *The Customs Bill 2014 seeks to consolidate and modernise national legislation relating to the administration of customs into a single Bill. As we saw in the legislation itself and from the Minister of State's comprehensive statement, bar two particular sections, the Bill seeks to rationalise and improve existing legislation. It also seeks to consider the European dimension to customs, particularly the EU customs code and its implementing provisions which set out the rules and regulations relating to the import and export of goods and impose legal requirements and obligations on importers and exporters.*

It is important to acknowledge that Ireland is a small island nation with an extensive coastline which is difficult to police. We also maintain a common external border with the UK. We are separate from a number of European countries in this regard in that we are not members of the Schengen Agreement. Accordingly, we have greater difficulties in monitoring and maintaining customs services than a number of other European jurisdictions do. The cross-Border illegal activities of the past several years, the active part taken by Revenue in combating some of the more nefarious activities of petrol-stretching, cigarette trading and so forth, as well as the extensive fines imposed for customs offences, all show the challenges our customs service faces every day. It is to its credit that we do not hear more about them. One is more likely to hear about a service that is causing a problem than one is to hear about a service that is not. Given the extensive difficulties the customs service has, including difficulties with illegal activities, north and south of the Border, it is noteworthy that it rates so highly when compared internationally. The Minister of State mentioned that it is has achieved high honours in a number of international reviews of custom services. According to the 2013 annual report of the Revenue Commissioners, Ireland is ranked fourth in Europe for efficiencies of customs administration and fifth in the world. It is clear that when one wants to have a good and well-functioning business environment, the efficiency and civility of a customs service, as well as one that is as first rate as ours, contributes to the overall business environment in a way that we sometimes do not recognise. It should be placed on the record that the functioning of our customs service contributes significantly, not just in financial terms, but to the overall efficiency of business in this country.

Link: <https://www.kildarestreet.com/sendebates/?id=2015-05-26a.242&s=cross+border#g250>