



Northern Ireland
Assembly

Committee for The Executive Office

OFFICIAL REPORT (Hansard)

Brexit: Newry, Mourne and Down District Council

11 November 2020

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Colin McGrath (Chairperson)
Ms Martina Anderson
Mr Trevor Clarke
Mr Trevor Lunn
Mr George Robinson
Mr Pat Sheehan
Ms Emma Sheerin
Mr Christopher Stalford

Witnesses:

Councillor Laura Devlin	Newry, Mourne and Down District Council
Ms Marie Ward	Newry, Mourne and Down District Council

The Chairperson (Mr McGrath): We welcome representatives from Newry, Mourne and Down District Council. We have Councillor Laura Devlin, chairperson; and Marie Ward, chief executive. I advise both of you that the session is being recorded by Hansard and the transcript will be published on the Committee web page.

Ms Sheerin: Martina cannot hear us now. You need to ask Comms to bring Martina in so that she can hear.

The Chairperson (Mr McGrath): I ask the communication team to bring George and Martina in. Apparently, they cannot hear us at this stage. Hopefully there is something you can do on the technical side to bring people in.

Before we progress with the presentation, I declare an interest insofar as Councillor Devlin is a member of my staff team, so an extra warm welcome to you, Laura, on that basis. It is great to have the two of you along. We will let you do the presentation, and then, at the end of the presentation, members can ask some questions to seek clarity. I will pass over to you, Laura.

Councillor Laura Devlin (Newry, Mourne and Down District Council): Good afternoon, Chairman and members, and thank you for the opportunity to address you, albeit in this virtual format that we are all now getting very used to, on the very important issue of Brexit. I will begin by presenting on the situation in Newry, Mourne and Down, and then our chief executive, Marie Ward, will hopefully pick up on any questions that you may have at the end. I will get started, Chair.

It goes without saying that a smooth transition is key to ensuring that businesses in the Newry, Mourne and Down District Council area, particularly those situated in the economic corridor, continue

to trade, grow and develop. Political negotiations are central to the concerns held by SMEs, particularly the uncertainties regarding securing a future trade agreement or a no-deal Brexit. Uncertainty exists on whether the Northern Ireland protocol will be upheld or overturned or, indeed, whether a hybrid model can be agreed. Businesses are grappling to prepare, as the situation could invariably change.

Europe remains Newry, Mourne and Down District Council's largest export market on our doorstep. A higher percentage of businesses in the border region sell into the cross-border market, the EU and GB than in the rest of Northern Ireland or the rest of Ireland. The Republic of Ireland is an important first step to export markets for many small businesses. Following success in the South, SMEs often branch out into other export markets. It is therefore important that there are no bureaucratic or financial barriers to the market in the South of Ireland. EU trade represents 22% of the total sales of firms in the border council area, and that compares to only 10% of sales for Northern Ireland businesses outside the border area. That gives an indication. Sales to the EU from the border council area are largely driven by the agri-food and advanced manufacturing sectors, which account for 77% of border council area sales to the EU. The exposure to risk is much higher for the agri-food sector, with much of the sector sending 90%-plus of exports to the cross-border or UK market, which will face higher tariffs. The tourism, retail and service sectors will also all experience significant changes as a result of Brexit.

In terms of infrastructure, Northern Ireland's second-largest port is located at Warrenpoint. As one of the three main points of entry for goods entering Northern Ireland from GB, Warrenpoint mainly accepts steel, timber and grain, along with accompanied and unaccompanied freight carrying high-risk foods. The harbour authority is working on the understanding of what it assumes the Northern Ireland protocol means. However, during negotiations between the UK Government and the EU, there have been instances when the draft protocol has been interpreted differently. Harbour managing authorities are concerned about the potential for last-minute changes and the impact that they could have operationally.

I will now move on to our people. The proximity of the border will accentuate the issues with the labour market and the movement of people and will present various implications. The first implication is the risk of residents emigrating, and the second is the risk of businesses relocating to more favourable economies that offer greater potential and opportunities. Many sectors along the border corridor rely on EU and non-EU migrant labour, with the agri-food, fisheries, tourism, manufacturing and service sectors being most reliant on that new labour. One stat is that between 30% and 55% of the labour force in the seafood industry is migrant labour.

I will now move on to funding. Up to 2020, approximately £3.4 billion in Peace and INTERREG moneys has been invested in Northern Ireland and the Southern border counties. However, more assistance is needed for the sectors with the highest exposure to risk if EU funding ends, such as the community, voluntary and business sectors. PEACE PLUS and the Shared Prosperity Fund programmes are being developed post 2022, when the current EU programmes end. However, the council advocates that these funds are essential to support all sectors of the economy to develop beyond Brexit. There is an urgent need for reduced bureaucracy and the adoption of a more area-based planning approach to how those funds are allocated, to ensure that local authorities can target programmes to meet local needs.

Given the likelihood of increased administration being required from 1 January 2021, businesses should be preparing documentation, policies and procedures. However, without clear guidance on the Brexit outcome, businesses are delaying doing so. Many large businesses in the region have Brexit plans in place to some degree, although they accept that they will need to be tweaked as clarity emerges from discussions. However, COVID and the ongoing disjointed nature of exit negotiations has created apathy among many SMEs, and, in many cases, no preparation has taken place. Invest NI, InterTradeIreland, chambers of commerce and trade, and local authorities have been offering support, but it has been general. There is an urgent need for a more structured marketing campaign, coupled with detailed support programmes to assist businesses to prepare.

A continuation of cross-border trade with limited disruption will be a significant factor in the success and growth of our area's business base. The lack of clarity on guidelines and the mixed messaging that is coming from the negotiation has generated apathy among many SMEs, many of which have not prepared nor are preparing. Furthermore, there is a danger that, if a deal is done at the eleventh hour, businesses will be left to organise their affairs in a matter of weeks or days, when the transition was intended to be over a 12-month period. Current support mechanisms must not end with the transition period; they must continue as businesses grasp the complexity of any new trading relationships. All of these issues point to the need for mitigating actions as border communities and businesses navigate

their way through the changes. Other actions that should be included are accelerated investment in transport connectivity, such as the southern relief road project; the rolling out of full fibre broadband across the corridor to ensure a much-improved digital connectivity to prevent any further falling behind; the continuation of funding to support businesses to adapt and develop post Brexit, such as PEACE PLUS, the Shared Prosperity Fund, the city deal etc; and the continued promotion of the planning-for-Brexit supports, especially to smaller businesses, which have a lack of resource for that, and also for the longer term trade, diversification and skills enhancement that will be needed in a post-Brexit economy, particularly through the expansion of further education, the institutes of technology down South and university provision throughout the corridor. One final action is support to create greater scale and more cooperation and clustering in some of the most risk-exposed sectors, such as agri-food, traditional manufacturing and tourism.

That is my overview, Chair. I thank you and your members for your time. I now hand over to Marie, as chief executive, to take any questions that you may have.

The Chairperson (Mr McGrath): Thank you very much, Laura. I appreciate that update. You mentioned, for example, the impact that there will be on the agri-food sector. I am looking at the nuts and bolts of how you have been engaged with by the Executive and Departments. Do you feel that you were listened to and that you have been involved in the process of their thinking as they inform the British Government on their negotiations? Do you feel that you, as a council, have been listened to? Have you been capturing the views of the businesses in your area and relaying them to the Executive?

Ms Marie Ward (Newry, Mourne and Down District Council): Environmental health colleagues in the council have been working very closely with DAERA, and even the Food Standards Agency, in relation to the potential implications for the agri-food sector. Work has been ongoing over the past number of years in relation to any actions that need to be taken. The challenge remains around the uncertainty of what the final exit will look like and what the full implications of that will be. Engagement has been very positive between council and central government.

The Chairperson (Mr McGrath): What form has that engagement taken, Marie? Have you been participating in forums? Is there a specialist engagement with the councils?

Ms Ward: Our environmental health representatives sit on various working groups with DAERA. Before COVID, sessions were held in our district where businesses involved in the food sector were invited to joint presentations to set out some of the challenges. It is very much an ongoing engagement. That meeting format has continued throughout the period of COVID, and it happens regularly.

The Chairperson (Mr McGrath): Tourism is a major industry in the Newry, Mourne and Down District Council area, with the Mourne Mountains, Newcastle and the wider area. Have you had any assessment done of what impact Brexit and the process of Brexit might have had on tourism, and what impact any new arrangements might have in the future? Will the Brexit process help tourism or impact on it?

Ms Ward: It is a concern. Tourism is a major contributor to the local economy. It had been growing exponentially in recent years as we moved towards the greater international market, and even visitors from the Republic of Ireland. The concern for us has always been freedom of movement to ensure that we can have visitors crossing the border seamlessly. There has always been a drive from the Newry, Mourne and Down District Council perspective, in simple terms, to have people turn left when they come out of Dublin Airport. Any decisions regarding Brexit and how we handle that transition across the border need to remain seamless to ensure that we do not suffer major impacts on those coming to visit the area. Freedom of movement is a concern for us.

Ms Anderson: Thank you for the presentation. Laura, I have been trying to get, from each council that has come forward, a handle on how much money they are going to lose. Many councils have been able to draw down, for example, £22 million and other figures that they have given us today. You talked about the £3.5 billion, and you are obviously acutely aware of the funding that has come from the EU to the North; we are net beneficiaries of all of that. What is the overall figure that the council will lose, and do you know what other kind of funding could be lost, over and above what the council itself has been able to draw down?

Councillor Devlin: Thanks for that, Martina. I will just check with Marie whether we have that figure to hand.

Ms Ward: Martina, apologies. I do not have the exact figure that the council would lose. What I will say is that we have been working closely with our colleagues in relation to the Peace and INTERREG moneys and the Shared Prosperity Fund, and the importance of that moving forward. It is critical that we continue to receive that funding. We have delivered a significant number of projects in the past decade, even before the formation of Newry, Mourne and Down District Council, when the councils were working separately. Those projects have been critical to the local community and the development of the local community. We are working closely on the new Peace funding to ensure that its potential for the area is maximised.

We have a memorandum of understanding with Louth County Council, so we have a close cross-border relationship with our colleagues in Louth. An example of where that funding has been prevalent and important is the greenway between Newry and Carlingford. That is being delivered through Peace funding, so it is critical that we retain that level of funding. I think I heard the representatives of Ards and North Down Borough Council speak about the Shared Prosperity Fund. There is a Northern Ireland ask of £110 million per year from that. We would not want to see any funding that has been coming from Europe being reduced. Indeed, we suggest that we need to see that increase. Whilst we may look to what we can deliver from a projects perspective, we require funding to support our business community in the development of plans for Brexit now. One of the council's big concerns is that the business community, due to COVID, I suppose, has taken a step back in its preparations for Brexit. We would like to see more funding targeted to allow businesses to prepare for what is coming.

Ms Anderson: Thank you for that. Whilst I am a really big fan of Peace funding in Peace I, Peace II, Peace III and now Peace IV, in the grand scheme of things, it is pocket money compared to what Laura mentioned about the £3.5 billion that will be lost to the economy here. My concern is that, in 50 days' time, we are being dragged out of the EU against our democratic wishes, and there are no prospects as yet of hard cash coming forward. We have heard about the promise from the British Government about this Shared Prosperity Fund, yet nothing is materialising. I am concerned about the implications that that is going to have because, obviously, the Assembly and the Executive will not be able to able to replace £3.5 billion.

Whilst I heard you saying earlier that your larger businesses were putting plans in place for Brexit, there is probably a need to be alerting other SMEs, particularly those whose jobs depend on European funding where we are sitting. We have been taken out of the EU. The withdrawal has happened. This is not a negotiation about the withdrawal. The funding that we received is gone, unless it is replaced by, for instance, the Shared Prosperity Fund.

I have one thing that I want to ask you about further. In your presentation that you sent to us, you say:

"southern businesses are no longer considering Northern ... businesses as part of the review of their supply chains."

Can you elaborate on that?

Ms Ward: Yes, I am happy to take that question. As chief executive, and having previously been the director of enterprise, regeneration and tourism in the council, I know that we spent a lot of time engaging with our local businesses. You highlighted our SMEs, and SMEs in this area are part of our biggest business base, so they are absolutely critical. You will find that 80% of the SMEs that export here actually export to the ROI market, so that gives you the volume that is involved. We have in the region of 8,700 VAT-registered businesses in the district.

From the point of view of businesses and supply chains, over the past number of years, as Brexit has been discussed, we have talked to businesses about what the implications are for them from that cross-border perspective. We are finding that some of our local businesses, due to some of the uncertainties around supply chains and how that is going to be managed, are finding it more difficult to get contracts from the Republic of Ireland where they previously would not have had issues. That is then causing pressure on those local businesses to create accommodation or supply chain mechanisms for themselves in the South. The risk that that places on Northern Ireland and, indeed, the Newry, Mourne and Down region is that businesses, if they cannot trade freely and without any hindrance, will potentially relocate to the South to ensure that their supply chains remain open. Whilst it is anecdotal evidence and comes from meetings that we hold, we do know that there are businesses

that are telling us that they have had issues with contracts coming North/South due to the potential or unknown implications of Brexit.

Ms Anderson: I have one last question on the new VAT system. Given that you said that there are 8,700 VAT-registered SMEs, I assume that they are probably quite worried about that because they do not know the details — unfortunately, none of us do — about what this new VAT system will look like going forward.

Ms Ward: Those things impact on how they do business daily. It is about understanding the detail of those so that they can get themselves ready. It is really important to reflect that our businesses, like businesses everywhere else, are suffering the impacts of COVID and are trying to manage that on a daily basis. SMEs in particular may not have the time to look at the detail of the implications, such as knowing and understanding the implications of VAT and of what paperwork needs to be completed to trade. Those are all critical. We have had businesses highlight to us concerns around paperwork that may have to be completed to allow cross-border trade. That may have implications for their ability to ensure that their supply chain moves fast enough and that they can still maximise the profit margins in their businesses to keep them going. There are many implications, and they are complicated, depending on the nature and type of business involved, but it affects everybody from the sandwich shop to the major manufacturer.

Ms Anderson: If proof was needed that Brexit is an unmitigated disaster, we have heard it here this evening. Thank you very much.

The Chairperson (Mr McGrath): Thank you, Laura and Marie, for the presentation and for answering the questions. It has been really enlightening to get the information, and we are going to try to pull that together and use it in some useful way. We will ensure that the contributions that you have made are included in that. Thank you for coming along. It is good to see both of you. It is good to see you, Marie. I have not seen you in a while.

Ms Ward: It is nice to see you.

The Chairperson (Mr McGrath): I wish you all the best. Thank you very much indeed.