Northern Ireland Assembly

COMMITTEE FOR ENTERPRISE, TRADE AND INVESTMENT

OFFICIAL REPORT (Hansard)

Draft Economic Strategy

15 December 2011

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Alban Maginness (Chairperson)
Mr Daithí McKay (Deputy Chairperson)
Mr Steven Agnew
Mr Gordon Dunne
Mr Phil Flanagan
Mr Paul Frew
Mr Mike Nesbitt
Mr Robin Newton

Witnesses:
Mr Alistair Pyper) Department of Enterprise, Trade and Investment
Mr Phil Rodgers)

The Chairperson:
Gentlemen, you are very welcome to the Committee. Mr David Thomson, the deputy secretary, has sent his apologies because he is ill, unfortunately, and cannot attend today's meeting. We send our best wishes to him. Would you like to make an opening statement, after which we can ask some questions?

Mr Phil Rodgers (Department of Enterprise, Trade and Investment):
Yes, if that would be OK, Chair.

The Chairperson:

Indeed, it would. Thank you.

Mr Rodgers:

I apologise for the bit of confusion this morning. Obviously, David was meant to be here but has taken ill. We will endeavour to answer as many of your questions as we can. David has a much wider remit across the Department, so we may have to come back to you on specific details.

The Chairperson:

We fully understand that. We thank you very much for coming. If there are any gaps, we can, perhaps, convey those to you and you can provide a written answer.

Mr Rodgers:

We will follow up on any gaps. By way of opening remarks, I would like to say that Graeme Hutchinson was also supposed to be here this morning. However, he is attending the first meeting of the joint ministerial working group on corporation tax, which is meeting this morning. Obviously, that is very important work.

I will begin by briefing the Committee on progress and how we have got to this position on the economic strategy. Members will be aware that the strategy was published alongside the Programme for Government and investment strategy and is now out for a period of public consultation. The Programme for Government has retained growing the economy as its top priority. The economic strategy, as its sister publication, provides more detail of what will be taken forward not only during the Programme for Government period but until 2030.

The strategy is based on the framework, which was consulted on in January and February 2011. We engaged with the Committee on it at that time. In that initial consultation on the strategic framework, there was broad support for the direction of travel, recognising the need to rebuild the local labour market in the aftermath of recession and to rebalance the economy in the longer term given the longer-term challenges that we face. There was also broad acceptance of the key driver of increasing exports, recognising that domestic demand alone will not be sufficient to drive economic growth.

Originally, the strategy was intended to be up until 2020. However, one key point made was that, given the challenges of the rebalancing agenda, the feeling was that we should extend it. That is reflected in the new strategy, which will be taken forward until 2030. There was also considerable comment received about the need for public sector reform to match the aims of growing the private sector. The subcommittee on the economy considered that, but thought that it sat better within the Programme for Government document. Priority 5 of the Programme for Government deals with a number of commitments by the Executive to reform the public sector.

We are now beginning a period of public consultation. There will be a number of joint events with OFMDFM and the Strategic Investment Board on the three documents — the Programme for Government, ISNI and the economic strategy. Separately, we will be engaging with key stakeholder organisations, such as the business organisations, the trade unions and the social economy sector, to ascertain their views on the strategy. The key issue will be implementing and delivering the strategy. Members will be aware that there are a number of actions in the economic strategy, and the commitment was made when the document was launched to bring forward a comprehensive action plan shortly, which will set out the various actions that will be taken forward in more detail. We hope to publish that before Christmas, again for a period of public consultation.

There are two levels of monitoring the implementation of the strategy. Arrangements will be put in place in the Programme for Government to monitor each of the five priorities, with the economy being the key priority. High-level commitments will be assessed. The economic subgroup, the Executive subcommittee on the economy, will be retained and will continue to monitor and assess progress against delivery. The final point to make is to recognise that this is not a DETI document. It is a document that was developed by a subcommittee on the economy. It has been endorsed and includes commitments by all Departments. Underneath it are a number of supporting strategies, such as the regional development strategy, and the skills strategy, for which DEL is soon to produce an implementation plan. DETI will produce two separate action plans specifically on R&D and innovation and on business growth, which will focus on exports. So there is quite a bit of work ahead. We are happy to take any questions and answer where we can.

The Chairperson:

Thank you very much, Mr Rodgers, and, of course, Mr Pyper, if you want to come in at any stage please feel free to do so. Thank you for that presentation. This is a strategy document, so it is not an action plan per se: that will be produced later on. I want to know when that will be produced, but, more importantly, I want to know about the character of the action plan. Will it include firm targets, perhaps even a time line? Will it include responsibilities for the achievement of those targets and the attainment of time lines? Is it going to be detailed in that respect, and will it concentrate on outcomes, rather than just actions per se?

Mr Rodgers:
The comprehensive action plan is being finalised, and we intend to publish it before Christmas. The Committee will have site of it before it is published. It will detail clear commitments to actions and will include key responsibilities. Departments, and what they are expected to do, or what they have committed to do within the action plan, will be identified. It will include timescales for the Programme for Government period. It will also include some actions for the post-Programme for Government period, but those are in the development phase, so there will be no firm commitments at this stage for some of the longer term actions. The intention is that we will revisit the comprehensive action plan during every Programme for Government period. In future cycles there will be clear commitments, timescales, milestones and targets.

The Chairperson:
Will the Department have a primary role in supervising and implementing the action plan?

Mr Rodgers:
The Executive subcommittee on the economy will take that primary role. As officials, we provide the secretariat to that subcommittee.

The Chairperson:
Is it chaired by the Minister?

Mr Rodgers:
It is chaired by the Minister and includes the Minister for Employment and Learning, the Minister of Finance and Personnel, the Minister for Regional Development, the Minister of Education and the two junior Ministers.

The Chairperson:
Today is an important day in the discussion on corporation tax. I note that paragraph 1.7 contains

a reference to corporation tax being an important instrument in achieving economic development here. I do not want to be negative — there is far too much negativity in our political dialogue — but what will happen if we do not attain those powers and lower corporation tax to a level on par with, or as near as possible to, that in the Republic?

Mr Rodgers:

First, in the Programme for Government and in the strategy, there is a firm commitment from the Executive to seek and implement those powers, and we have included a part at the tail end of section 5 that details the other areas that we would need to bolster should we get the powers. However, the subcommittee's view is that the actions and commitments in the document will still deliver growth, although not at quite the same levels as they would if we had the powers.

The Chairperson:

Paragraph 1.7 says:

> "Therefore, irrespective of the outcome on corporation tax, we are confident that the actions outlined in this draft Strategy will strengthen our competitiveness."

Is that why that is included?

Mr Rodgers:

Absolutely; that is why that line is there.

The Chairperson:

Why are you so confident?

Mr Rodgers:

The actions are designed to support export-led economic growth. We have drawn on the work of IREP, which said that that needed to be prioritised. Under each of the rebalancing themes, there are commitments to innovation and skills and to developing infrastructure, which will all feed into delivering that export-led growth and delivering higher levels of wealth and prosperity.

The Chairperson:

How much more of IREP has to be implemented?

Mr Rodgers:

There are two separate bits. We provided the Committee with a paper on IREP.

The Chairperson:

It is a very useful paper.

Mr Rodgers:

It sets out where we are. One or two recommendations are still outstanding, but the vast majority have been implemented. The more strategic recommendations of IREP on prioritising exports, focusing our investment on innovation and skills and prioritising sectors where we have strength are all reflected in the strategy. The vast majority of the more creational elements of IREP have been implemented.

The Chairperson:

What is IREP's contribution to economic strategy? How does it fit in? Does it provide the foundation and launching pad for the strategy?

Mr Rodgers:

Very much so. Since 2008, it has been a journey to get to where we are now with the strategy, and IREP provided the foundation and the road map.

The Chairperson:

Have you asked Professor Barnett about IREP and whether he thinks we have achieved all that we say we have achieved?

Mr Rodgers:

I do not know if we have formally gone back, but some panel members have taken a keen interest in where we are going with the strategy, and we expect them to come back during the consultation period. From informal conversations, the response seems to be broadly positive.

Mr Agnew:

The Programme for Government states that the number-one priority remains the delivery of a vibrant economy, which can transform society while dealing with deprivation and poverty. I can see all the things that are being done to create a vibrant economy, and we can debate whether they will be successful; but what is being done to reduce wealth inequality and poverty and, thereby, health inequalities? I have asked the Finance Minister about that, and, when the economic strategy was introduced, I questioned the Enterprise Minister about it. However, nobody seems able to tell me how, or if, we measure wealth inequality or what is in the economic strategy to help to do that. Corporation tax is a perfect example. Money will be taken away from the public services that are provided to the most vulnerable so that businesses can receive a tax cut. Some people argue that we will get jobs at the back-end of it, but, in the short term, it will increase wealth inequality. I do not know whether you have views on that or whether there is something in the strategy that I am missing.

Mr Rodgers:
One of the key themes of the document is equality and equality of opportunity; they are the underlying themes that have informed the actions in the strategy. A meeting is taking place this morning on corporation tax. The commitment in the Programme for Government and the strategy is that the Executive are committed to see powers transferred in a timely and affordable manner. All the evidence suggests that that would have a significant impact on employment. Employment is possibly the best way of getting people out of poverty.

Other actions are being taken forward; the not in education, employment or training (NEET) strategy, for example, is referenced in the document, and it is being taken forward by DEL. There are several specific actions in the document that will help to address issues around unemployment and, hopefully, poverty.

Mr Agnew:
The Finance Minister replied that economic growth does not necessarily reduce poverty or wealth inequality, so I still have concerns. On a related point, the economic advisory group seems to represent business interests; there is no representation from NICVA or the trades unions, for instance. I think that I am right in saying that. It seems to be an economic strategy focused solely on the needs of business rather than those of wider society. Have you any comments on that?

Mr Rodgers:
The focus of the strategy is on growing the private sector, because it is the private sector that will create jobs. That is the case in the immediate Budget period. It focuses on private-sector growth, because the private sector will deliver jobs, which will deliver prosperity for all society.

Underlying themes such as the balance of regional growth, equality and sustainability have informed all the actions. All the actions take those underlying themes into account when they are being developed.

Mr Agnew:

The economic strategy refers to the fact that Sweden and Finland invested heavily in innovation and R&D, whereas the Republic of Ireland and Singapore went for the corporation tax cut. I am sure that you will say that we are investing in R&D, and I know that there is investment in it, but if you are taking money away from public finances to fund the corporation tax cut, there will be less money for R&D. Why was the low-tax rather than the investment approach taken?

Mr Rodgers:

From the extensive research undertaken to inform the strategy, our aim is a twin-track approach. We want to go down the Republic of Ireland/Singapore route and promote low corporation tax; equally, we want to invest in R&D, the skills base and infrastructure. It is about taking a twin-track approach; it is not either/or. We have learnt from research that we will do both.

Mr Flanagan:

Thank you for your presentation, gentlemen, and the paper on the review of economic policy; I found it useful to see what changes have taken place. Having read the economic strategy, I do not think that many of us would disagree with much in it. It is not a bad document; however, some things are missing. For example, what role will InterTradelreland play in developing the island economy? What role will Invest play? Will the two organisations be left battering away as they are, or will they be given additional or less resources and support to achieve better results?

Mr Rodgers:

Several points in the document came from InterTradeIreland. When the comprehensive action plan is available, it will probably provide more detail on what InterTradeIreland and Invest NI will do. This is a consultation period, so we are looking for further actions that people believe need to be included; this is the time to bring those forward.

Mr Nesbitt:

Gentlemen, first, I would like clarification on the IREP recommendations, which you say have been largely implemented. Recently, the Minister told the House that 95% of them have been implemented. I do not want to ignore an important one, which is recommendation 2 on the formation of a single Department of the economy. If I am reading the update correctly, that will not happen during the current Programme for Government period. Is that correct?

Mr Rodgers:

That is linked to the commitment in the Programme for Government, which is to review the structures of Government and agree them next year for implementation after the next electoral cycle. Therefore, I expect not.

Mr Nesbitt:

Therefore it will not. Thank you very much for that. For my money, the key numeric target is the 25,000 jobs. The Federation of Small Businesses (FSB) has a vision of 40,000. Would you like to comment on that?

Mr Rodgers:

The commitment in the Programme for Government and the strategy is for 25,000 Invest NI jobs — jobs to be promoted by Invest Northern Ireland over the Programme for Government period. You will also see commitments from the creative industries fund that DCAL operates or Department of Agriculture and Rural Development (DARD) commitments for rural development and jobs in rural areas. Therefore, the 25,000 is not to be seen as the total number of jobs; they are the Invest NI jobs that will be promoted in that period.

Mr Nesbitt:

Will Invest NI manage the jobs fund?

Mr Rodgers:

Yes. The jobs fund, as you will appreciate, is a ring-fenced pot for the rebuilding phase. The view is that, in the current circumstances, any job is a good job. Therefore, Invest NI aims to promote 6,300 jobs from the jobs funds in the Programme for Government period; of those, 4,000 will be in place by March 2015. There are other jobs from Invest NI's non-ring-fenced pot, including jobs in locally owned companies, jobs that are created from foreign direct investment (FDI), and jobs that are created from new starts.

Mr Nesbitt:

I have heard the Minister say, if I am quoting her correctly, that she would encourage every small business to take on one extra member of staff and that the jobs fund could facilitate that. The FSB makes the same argument: if every micro- and small business took on one member of staff, that could create 40,000 jobs. I am just making that observation.

I was with a businessman at 8.15 this morning. The first thing out of his mouth was some uncomplimentary language about banking. The document is 88 pages long. How often are banks mentioned in it?

Mr Rodgers:

I would need to go through it and count.

Mr Nesbitt:

Seven. I believe that I am correct in saying that they are not mentioned until page 54. Do you think that that puts enough emphasis on the fact that bank lending is critical to rebuilding and rebalancing?

Mr Rodgers:

We have had early engagements with the CBI and local economic commentators, and the view is that that might be something that we need to reflect on for the final document. However, there is a commitment in the Programme for Government and the strategy for government to do more to assist lending to small and medium-sized enterprises (SMEs). There is also the £50 million loan fund, £30 million of which will be made available in the Programme for Government period; Invest NI is taking other measures to make finance and capital available to small companies.

Mr Nesbitt:

Finally, there is reference to the fact that we do not have an indigenous bank. Is that a possibility in the short to medium term?

Mr Rodgers:

I cannot comment on that.

Mr Frew:

You said that employment will lift people out of poverty, and I agree. We have to attract large businesses to Northern Ireland. Employment will lift a certain number of people out of poverty; however, people who are employed in low-wage jobs will still be in poverty, and it will only be one aspect of that plan.

The other aspect is skills and education, which does not necessarily fall within the Department of Enterprise, Trade and Investment's remit. I commend the fact that the subcommittee on the economy was set up and that it was broadly cross-departmental, including input from the Department of Agriculture and Rural Development and the Department of the Environment. However, given that the action plan will ask other Departments to produce the goods, how confident is the Department that those goods can be delivered? What can DETI do to pressurise or force or implement that?

Mr Rodgers:

We are confident that the structures are being put in place for monitoring implementation against the Programme for Government and implementing the actions identified in the strategy. As I said in my opening remarks, the subcommittee on the economy will be retained. It will hold Ministers and Departments to account on delivery, and having your ministerial colleagues holding you to account is a good incentive to ensure that delivery is achieved.

Mr Frew:

Will the subcommittee on the economy's action plan be incorporated into every Department's plan?

Mr Rodgers:

Yes. The comprehensive action plan will set out clear responsibilities for which Departments are responsible for delivery of the various actions. All those actions will then be reflected in the corporate plans across Departments.

Mr Newton:

This is an excellent document; it is probably the best look at Northern Ireland's economy that we have had not only in your Department but across Departments. We are rapidly moving towards what many people have been calling for over the years: that Departments get out of a silo mentality. Indeed, you described how that is being done with the cross-departmental involvement on the economy.

I would like to pick up on a point that Mike raised because it is important, and that is access to finance. I know that that is more difficult for the SMEs than for the larger players. I was disappointed that, as I understand it, initiatives from Europe to allow SMEs to access finance under favourable terms have not been successful. Considerable work was done to get organisations, including credit unions, to buy into some form of their acting as a facilitating system for loans to micro-businesses. I do not see that mentioned here, but can you comment on it? As Mike said, it is vital, particularly for SMEs.

Mr Rodgers:
The Programme for Government and the economic strategy contain a commitment to aid the liquidity of SMEs through Invest NI's new loan fund. That is focused on the SME base, and Invest is also considering producing a micro-loan fund. I am not familiar with the issue to do with credit unions, and we might need to come back to you about their role.

We recognise that, in some areas, drawdown of European funding with respect to several programmes that are available on the innovation side has not been as strong as it could have been in recent years. Again, the strategy contains commitments to work to improve our performance on the drawdown of European funding. That would support businesses and small enterprises to engage in innovation, which is the engine of growth.

The Chairperson:
Thank you, Mr Newton. The Committee is anxious that you take a message back to the Department: that the extended services that credit unions enjoy in Britain and in the Irish Republic be introduced here as quickly as possible. After the FSA takes over the supervisory role for credit unions, that legislation should be introduced as quickly as possible. Indeed, it might facilitate the type of arrangements that Mr Newton properly highlighted.

Mr Alistair Pyper (Department of Enterprise, Trade and Investment):
I want to follow up on the point about securing the maximum drawdown of European funds. That will be taken forward in the comprehensive action plan.

The Chairperson:

Thank you very much. That is very useful. Thank you, gentlemen, for your appearance today. I am sure that we will revisit this in the future.

Mr Rodgers:

We hope to come back to the Committee for a briefing on the emerging issues from the consultation. As I said at the start, we are going out with several consultation events, and we are keen to brief you on them.

The Chairperson:

And on the action plan.

Mr Rodgers:

Yes, on the action plan, which, hopefully, will be out before Christmas.

The Chairperson:

Thank you, gentlemen, for your useful briefing.