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Assembly

## Research and Information Service Briefing Paper

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**RaISe**

# ETI Committee Stakeholder event: 'Growing the Economy and Creating Jobs in A Reduced Tax Environment'

## 1 Background

On the 14 April 2015 the Committee for Enterprise, Trade and Investment hosted a stakeholder event as part of their Inquiry into 'Growing the Economy and Creating Jobs in A Reduced Tax Environment'.

The event was attended by leading members of Northern Ireland's business community, their representative bodies and representatives from other areas including further and higher education.

The event sought participant views on issues identified as 'of high importance' and 'poorly provided for' in the Committee survey of Northern Ireland business (the survey took place between 26 January 2015 and 10 March and received 223 responses). The factors identified in the survey were as follows:

- Government financial support to business;

- Government practical support to business;
- Transport infrastructure;
- The Regional political climate; and
- Energy costs.

Attendees were divided into four groups. The first three tables discussed the first three topics listed above. Energy costs were not assigned to a specific table as it was thought that the Committee's recent review of electricity policy had covered these issues in sufficient detail. The Regional Political Climate was excluded from in-depth discussions as it was thought the topic was too broad to cover within the context of a stakeholder event. A fourth group was asked to discuss skills and education in Northern Ireland. This was not an area identified in the Committee's business survey, but one that had been consistently raised during inquiry evidence sessions.

Each table was assigned a range of tasks:

- To rank the issues from the highest importance to least, and from most urgent to least;
- To define their issue;
- To define their issue in a 'solved state'; and
- To suggest solutions which might help develop that solve state.

The purpose of this paper is to reflect the discussions each table had on the topics assigned.

## 2 Table 1: Government Support to Business (Financial)

### 2.1 Ranking the issue

Participants on table one agreed all six factors were significant to the growth prospects of NI businesses. The degree of significance of any one factor was considered to be dependent upon the type of business and its location.

Transport infrastructure was viewed as a limiting factor for business outside of Greater Belfast. In contrast, the consensus was that the firms within Belfast were well provided for in this area.

Skills shortages were viewed as an 'immediate issue' by the IT industry representative at the table. Others viewed it to be significant but thought it something that would be of greater significance in five to ten years.

There was consensus around the table that energy costs and capacity were both urgent and highly important. Increasing North/South and East/West interconnection was put forward as a way to reduce costs. Participants also commented on the need for greater public and private collaboration in energy matters. They also argued that the

public sector should be leading by example in relation to installation of renewable energy solutions.

Government support was not generally viewed as a salient issue, with most participants noting that there were a range of grants available. There were concerns raised that Invest NI's support is not as effective in certain areas, such as retail or agri-food, as it is in other sectors, such as the IT sector.

Ultimately, participants at table one concluded that the regional political climate was the most important issue to business as it was this that underpinned any progress on the other issues discussed. Some specific criticisms of the regional political system were raised:

- There were *'too many strategies and not enough action'*; and
- Decision making is slow, particularly in relation to planning.

One participant suggested there was a wider problem with how the economy is viewed in Northern Ireland, with a focus on funding from Westminster and Europe, rather than recognition of an economy which is something highly relevant and local. This was said to be the case in the media, politics and wider public discourse.

## 2.2 Defining the issue

Participants at the table had differing views on the level of financial government support available to businesses in Northern Ireland. A contributor from the food and drinks industry argued that the different rules for firms above and below 250 employees was arbitrary and unnecessary for their sector.

The group debated the performance of Invest NI. There was a degree of consensus on this, with participants recognising that the agency's recent record on job creation (20,000 in 18 months) was positive. However others argued that Invest NI was only interested in creating "jobs for clever people" and failed to assist in other areas such as food production.

Participants agreed that government financial support could have more clearly defined aims, with funding directly linked to strategic government outputs. There was a discussion on what the purpose of financial support should. Should it be used, for example, to subsidise firms' losses, to assist investment in land or machinery, or to increase firms' export potential. There were strong voices at the table who argued that exports should be the focus of incentives as they were considered the best way to boost business growth. It was also suggested that government subsidies should be 'backing winners, not losers', as losers will ultimately lose when exposed to market forces.

Participants also discussed what type of economic mix government support was creating and whether the government should be supporting high-skilled *and* low-skilled employment. . A consensus emerged that Invest NI should be aiming to attract both

kinds of employment, however participants suggested a debate was required on what that specific mixture should be.

Discussions extended beyond financial support to cover education. The business representatives argued that greater alignment between the education system and the needs of businesses was required. A suggestion was made that secondary school children should come and visit businesses more often and vice-versa that businesses should be in school classrooms explaining the role of their firm and industry.

Participants also touched on the issue of practical government support. They argued that more support was needed for young CEOs and start-up companies to allow for quicker learning and faster business growth.

### **2.3 Solving the issue**

In discussing how financial government support could be improved participants made the following points:

- Streamline financial government support, making it more specific and more outcomes focused.
- Help firms de-risk exports, reducing liability of new firms exporting.
- Business requirements should be better aligned with the education sector and learning in schools.

## **3 Table 2: Government Support to Business (Practical)**

### **3.1 Ranking the issue**

When asked to rank the issues participants on table 2 were of the view that all six were intrinsically linked to the performance of the regional political system and its ability to function correctly. The consensus was that ensuring the stability of the political climate was a prerequisite to securing progress in the other five areas.

### **3.2 Defining the issue**

Participants began by making the point that responsibility for the economy and economic growth was not confined to one Department, but is spread across the executive. As such a joined up approach was necessary, but at present, cross-departmental working was insufficient.

This fed into their discussions around defining the issues with practical government support. Participants noted that while a range of support exists, it is fragmented across Government Departments and agencies. This fragmentation, it was argued, had become more challenging due to the devolution of powers to Councils since 1 April 2015. The issue with practical government support therefore was not its availability but

the difficulty firms have connecting with the support they need. In this respect, a consensus formed amongst participants that the most significant problem in accessing practical government support was inadequate signposting.

Business regulation was thought to be equally fragmented across Departments. Again this has recently become more complicated with the Councils also receiving greater regulatory functions, including greater control over planning. It was recognised that many areas of regulation are outside of Northern Ireland's control and often a requirement of EU or UK law. Moreover, as one contributor noted, dealing with regulation is 'part of being in business'. Nevertheless, participants again felt that the fragmentation of business regulation made it difficult to navigate and that better signposting towards sources of advice are needed.

On the issue of signposting, participants recognised that services such as the NI Business Info website do exist, but felt that greater efforts could be made to drive traffic towards such services.

The table discussed what was an apparent 'fear culture' amongst Northern Ireland's business community. This was viewed as a limit on growth, with some firms happy to remain in their comfort zone rather than seeking expansion. This fear culture, participants argued, necessitates a change in mind-set. To encourage this change, business should be encouraged, where appropriate, to take risks and an entrepreneurial attitude should be instilled at a young age.

### **3.3 Solving the issue**

Asked to reflect on a solved state, a consensus formed amongst participants that a properly functioning practical support network would be one in which:

- A continuum of support was offered;
- The new Councils would act as an entry point for businesses; and
- Councils would provide support that met requirements or direct businesses towards more appropriate sources of assistance.

The table discussed whether sources of support could be extended beyond public bodies to include private sector organisations. For example, it was suggested that the legal sector could provide assistance to firms seeking export. This, it was argued, would be in the interests of the private sector as it would bring new business and provide a revenue stream. On the other hand, it was recognised it would mean that businesses may be required to pay for certain support.

Discussing the 'fear culture' raised previously, participants agreed that to overcome this, people in Northern Ireland should be encouraged to become more entrepreneurial. One suggested way of doing this was to teach entrepreneurship at school and to encourage a business positive mentality from a young age.

Participants discussed the role of hubs and clusters. It was noted that when established these can become self-supporting entities within which companies can share knowledge and learning. The Bombardier Aerospace Hub was put forward as an example of a group of businesses working together sharing knowledge and innovation.

On joined up thinking there was a consensus that the proposed Department of the Economy was a step in the right direction. It was thought that the Department would be instrumental in linking business with further and higher education. Participants thought more could be done in this area. In particular, the table discussed the need to ensure that there was a joined up approach across tiers of government. Participants agreed that this vision of a joined-up government would see a cooperative approach that incorporated the Devolved Administration, the new Councils and the UK Government. One participant argued that the Secretary of State for Northern Ireland must do more to encourage partnership between Westminster and Northern Ireland. The need for greater cross-border cooperation on issues affecting enterprises was also identified.

The table noted that a joined-up working was as important in promoting Northern Ireland as an FDI destination. Participants were of the view that selling Northern Ireland was a collective responsibility. The table was of the view that this should not only an economic proposition and that the attraction of other areas such as culture and education were undervalued.

To assist joined-up working those at the table felt the Northern Ireland's strategic economic thinking should be long-term, rather than focussing on the election cycle. Invest NI was thought to have a key role here as it did not, one contributor stated, 'come and go like the Executive'.

The table was of the view that local politicians in Northern Ireland were open to business and willing to engage with business leaders. This was viewed to be in contrast to politicians in GB. Despite this, those at the table felt business could have a greater input into policy, particularly the next Programme of Government. The consultations accompanying the last Programmes for Government were dismissed by one contributor as a cosmetic exercise.

In a more general discussion on encouraging economic growth in Northern Ireland participants debated the concept of a Diaspora Strategy. Such a strategy would leverage the skills and talents of those who had left the region and use these global contacts to promote Northern Ireland as an investment location. Participants felt the global contacts of Invest NI and Tourism NI could be utilised to facilitate this. Furthermore, the table felt that there was an opportunity, as the Northern Ireland economy grows, to encourage those who had left Northern Ireland to return bringing with them a wealth of skills and experience – a 'brain gain' rather than a 'brain drain'.

## 4 Table 3: Transport infrastructure

### 4.1 Ranking the issue

Participants at table 3 also focussed their discussion on the regional political climate. Whilst participants thought all of the issues were important, the consensus was that the regional political climate should be the most important and urgent issue. Their contentions with the political climate focussed on two areas – decision making and investor perceptions of Northern Ireland. On decision making contributors remarked that ‘decisions either are not made, not made in a timely fashion or if they are made are not adhered to’. The development of road infrastructure was cited as an example of where slow decision making at political level was negatively impacting on business development. The Belfast to Derry/Londonderry motorway, planned in 1964 but never developed, was cited as specific example.

On the issue of investor opinions of Northern Ireland, it was argued that the perception of political instability makes it difficult to encourage investors to locate in the region. Participants agreed that political instability harmed business confidence and was detrimental to investment.

### 4.2 Defining the issue

At least one participant felt that it might be better to consider transport as part of a wider issue of infrastructure within Northern Ireland, but agreed that for the purpose of this event the focus should be on transport infrastructure.

In actually defining the problem with transport infrastructure, participants identified the factors of time and costs and these were thought of in relation to two themes:

- People/goods getting to and leaving Northern Ireland; and
- People/goods moving around within Northern Ireland.

Participants identified a number of challenges in relation to these themes. On airports, participants suggested that the lack of a direct rail link to either of Northern Ireland’s airports creates a negative impression amongst visitors and potential investors. They also argued that the relative lack of air links to Northern Ireland was detrimental to business development. For example it makes it difficult for people to attend business meetings in the region and also impacts on local people leaving here to do business elsewhere.

The table discussed the transport of goods in and out of Northern Ireland. Stakeholders noted that the cost of transporting goods across the Irish Sea, was much higher than the cost of transporting goods across the English Channel. There was some debate as to the extent of the difference and the contributing factors. One of the Stakeholders believed that it can be up to five times more expensive, while other stakeholders argued that it is be up to twice as much. Possible reasons for the cost difference were

to a lack of competition on the route and a lower volume of goods being transported. This was considered to be an all-Island issue and not limited to Northern Ireland.

Participants argued that Northern Ireland's public transport network was costly, slow and badly designed. There was a consensus that lack of speed in public transport ensured that it was not an appropriate mode of transport for business needs. Participants noted, for example that it was quicker to travel from Belfast to Derry/Londonderry by car (adding to the culture of car dependency) and that the train was quicker 50 years ago than it is today.

Participants raised the cost of public transport, arguing that it actively discouraged people from working further away from home. This was felt to be more problematic for those working in low-wage jobs and had a negative impact on the economy overall.

Participants also argued that there was a disconnect between the physical location of public transport stops and businesses. This resulted in connectivity issues for some businesses and placed limits on the area in which businesses can locate.

The notion that Northern Ireland had a culture of car dependency was discussed. Participants argued that the over reliance on the car was causing congestion on key routes and key times. One reason cited for this car culture was that public transport did not adequately meet the needs of users. Others suggested that there were insufficient incentives and infrastructure to encourage a shift from the car to public transport.

On road infrastructure, participants suggested that Northern Ireland's motorways needed to be improved to make journeys shorter and more cost effective. The table also discussed restrictions on access to roads infrastructure. One participant cited a case study of a local engineering firm who were barred from utilising the motorway network to deliver a wide and heavy load to port. To complete their journey the firm was required to use B roads resulting in a longer and more expensive journey. Participants also argued that there were challenges in accessing town centres to facilitate deliveries or shopping.

### **4.3 Solving the issue**

In broad terms regarding transport, there was a consensus at the table that if infrastructure issues were adequately addressed Northern Ireland would be a place where the movement of goods, services and people was both time and cost efficient.

Specific solutions were identified as follows:

- Proposed road projects should be financed and delivered promptly with the York Street Interchange a priority.
- Existing Rail lines should be upgraded with Derry/Londonderry to Belfast a priority.

- Direct rail links to terminals should be established for both City and International Airports. If there is an issue with the cost to the public purse the airport should be allowed to develop this privately and retain the profit.
- Measures that would limit certain users/journeys in town centres outside certain hours should be considered to alleviate congestion. Some fundamental questions about road use at specific times should be addressed, for example refuse collection should not be allowed to operate during rush hour.
- Create conditions that encourage greater usage of and competition within our ports as it would reduce costs for import and export businesses.

## 5 Table 4: Skills and education

### 5.1 Ranking the issue

There was a consensus amongst participants that skills and education should be ranked as the most important issue. The table ranked financial assistance second as it was viewed as a prerequisite to businesses growth. Political stability, which participants ranked third, was viewed as essential to promoting to investors Northern Ireland as pro-business. Energy issues were viewed to be significant to certain business sector only.

### 5.2 Defining the issue

In defining the issue with skills and education in Northern Ireland, participants at table 4 made the following points:

- Mid-level businesses are unable to access the skilled personnel they need as a result of larger businesses being able to offer better terms (pay, benefits). This problem was thought to be exacerbated by larger businesses having wide calls for recruitment, sweeping up people they may not necessarily need.
- There is a mismatch between the supply of skills and the demand for skills. As a result businesses are experiencing skills gaps when recruiting.
- Too many young people leave school without any qualifications.
- Higher Education is underfunded in Northern Ireland.
- Northern Ireland's education system does not produce enough entrepreneurial people. There is a lack of entrepreneurial mind-set within the schools system resulting in unambitious youth. In addition, teachers generally are not trained in business skills/entrepreneurism. They are also prone to encouraging young people down academic routes rather than encouraging more vocational training.
- Vocational training and apprenticeships should be a more attractive education pathway.

- Slow economic growth means that some businesses are unable to invest in in-house training and development.

### 5.3 Solving the issue

Asked to consider what Northern Ireland's skills and education system would look like in a solved state, participants agreed that:

- The supply of skills would match the needs of business. The skills developed at higher and further education would directly match those required by the economy at all levels of qualification and for all job types.
- Northern Ireland's Higher Education sector would be sufficiently funded.
- The skills and education system would provide people with a number of routes into business.
- Businesses should be able to access finance to support training and development needs.

To achieve this, participants argued that the business sector should have greater input into the higher and further education system. One proposal in this area was to create a private college, jointly funded by the private and public sector, which is focussed on delivering skills as defined by the needs of the businesses community. Another suggestion was that business may be approached to run, contribute to or teach specific courses within higher and further education institutions.

Participants discussed how Northern Ireland's system of career guidance might be improved. They concluded that careers guidance teachers should be provided with more accurate information on the types of jobs that will be available when students and pupil finish their courses and the types of skills these jobs require. It was noted that although Labour Market Information is currently provided to careers guidance departments this information is not always up-to-date.

Participants were of the view that careers guidance could be further enhanced if teachers were trained to encourage entrepreneurship amongst students and pupils. This, it was argued, could help instigate a cultural shift within Northern Ireland and motivate young people to consider business orientated career pathways. A further suggestion in the area of entrepreneurship was to provide loans, similar to student loans, to entrepreneurial young people who did not wish to go to university and had a realisable business plan.

The issue of immigration was discussed. Participants argued that Northern Ireland needed to attract skilled people, including students, academics, businesses people and skilled professionals, from outside of its borders in order to fill skills gaps and up-skill the economy.