

# Northern Ireland Affairs Committee

## Oral evidence: Investment in Northern Ireland, HC 792

Wednesday 2 February 2022

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[Watch the meeting](#)

Members present: Simon Hoare (Chair); Scott Benton; Mr Gregory Campbell; Stephen Farry; Claire Hanna.

Questions 92 - 122

### Witnesses

I. Mark Huddleston, Joint CEO, Makers Alliance; Peter Cunningham, CEO, Camlin Group.

Written evidence from witnesses:

- Peter Cunningham, CEO, Camlin Group – [INI0004](#)
- Mark Huddleston, Joint CEO, Makers Alliance – [INI0030](#)



## Examination of witnesses

Witnesses: Mark Huddleston and Peter Cunningham.

Q92 **Chair:** Good morning, colleagues, and good morning to our witnesses, Mark Huddleston and Peter Cunningham. Thank you for joining us this morning, gentlemen, for our inquiry into investment into Northern Ireland. You are both very welcome, and we are grateful to you for finding the time to join us.

I thought it might be useful for the record, Mr Cunningham, if you could tell us a little bit about what the Camlin Group is all about; Mr Huddleston, I will also ask you what the Makers Alliance is all about, and then we will turn to the tender and soft questioning of the Committee to both of you.

**Peter Cunningham:** I am Peter Cunningham, the CEO of the Camlin Group. We are a business that is based in Northern Ireland. We have approximately 480 people, 200 of whom are in Northern Ireland. The rest are spread around 21 offices in 17 cities across the globe. We have technical centres in Lisburn, two in Italy, two in Poland, one now in Serbia and then we have technical and support offices in Chicago in the US, São Paulo, Shanghai, Sydney, Dubai and Stuttgart.

Our main business areas are focused on energy and rail—the electrification of rail, the network and energy restoration problems. Our main focus at the moment is net zero, the green agenda and how we can help the networks become more efficient.

**Mark Huddleston:** The Makers Alliance is just over six months old. It was created out of activity by Queen’s University Belfast, Invest NI and Manufacturing NI during the pandemic.

We have been tasked with three key purposes. The first is to develop east-west connectivity, particularly between the manufacturing community in Northern Ireland and the catapult network across the rest of UK. There has been activity on that, and I know you heard about that a couple of weeks ago. The second, on city deal impact, is to provide advice and support to the permanent secretary and his team in the Department for the Economy around how city deals can support manufacturing and answer the needs of business. The last, particularly for Mark Nodder, who is my joint chief executive and the former CEO and chair of Wrightbus in Ballymena, is the future road map for the sector in Northern Ireland, aligned to the 10X strategy of the Department for the Economy.

Q93 **Claire Hanna:** Thank you very much to both of our witnesses for joining us. I just want to set the scene. What are the most important economic challenges and opportunities facing Northern Ireland now? Is our economic strategy, such as it is, focusing on the right priorities?



**Mark Huddleston:** That is a broad question. We have to look at the structural issues that we have had for a long time in the Northern Ireland economy, which we have tried to address in various ways but where we have not had the impact that we maybe could have. We have longstanding productivity and competitiveness issues. If you look at the recent UU Economic Policy Centre report, the competitiveness of the Northern Ireland economy is slipping and going backwards. It has been for a number of decades now. We now see the Baltic nations and other small economies of a similar nature becoming more competitive than we are.

There have been a range of investment issues. The scale and the size of the region means that, while we attract FDI, Northern Ireland often struggles to attract financial investment to be able to grow businesses. I know from personal experience that, unless you are working with the traditional banking system and traditional means of lending, it can often be very difficult to grow, particularly because in the Northern Ireland economy, as we know, there are many family-based businesses and SMEs. Trying to grow that and deliver that outside of that conservative view of financing can be a challenge.

We have struggled around the key enablers, such as skills, innovation and infrastructure. I appreciate that there is work going on around infrastructure at the moment. There is significantly more to do there. The digital investment that is happening in Northern Ireland is really welcome for the manufacturing community, but we have a lot more to do around innovation and skills. There was a report from the Department for the Economy two years about innovation and skills, and how they needed to mesh and join together. The failure to deliver on that side in terms of policy and outcomes is hindering growth from the manufacturing perspective.

Q94 **Claire Hanna:** How involved are you and those you represent able to be in the development of that strategy? Is there enough engagement with the relevant sectors? Are there opportunities to shape it?

**Mark Huddleston:** There can always be more. There is a raft of competing interests. Manufacturing represents 24% or 25% of the top 100 companies in Northern Ireland, 214,000 jobs and £6 billion in exports. It is a key part of growth. If you look at recent McKinsey reports from the US on how they are looking to rebuild the US economy post pandemic, having a strong manufacturing sector is vital.

Could more be done? Yes. Mark and I welcome the fact that we have been given the task of writing a strategy or, as the Department is asking us to call it, a road map for the sector. We are working very closely with the key partners. The panel is chaired by Sir Michael Ryan from Spirit, which used to be Shorts. We have a group of around 16 industrialists working with us. We hope to publish the draft of our strategy before purdah and make sure that, from a Northern Ireland Assembly



## HOUSE OF COMMONS

perspective, the Assembly, the Economy Committee and the Minister buy in to what we are saying.

Q95 **Claire Hanna:** It is getting better, by the sounds of things. Peter, I have similar questions for you. What are the key challenges and opportunities? Is the strategy the correct one? To what extent are you able to feed in and shape it?

**Peter Cunningham:** In an answer, it is not the right strategy. This is something that I feel very passionate about. We are a business that is based on data and analytics. That is what our business is centred on and what we offer to our clients across the globe. That is what is really funding our growth.

When you look at the data and the statistics, the Northern Ireland Statistics and Research Agency issued a report on 10 June last year authored by Neil Mulhern. That report, which I have a copy of here and I am happy to send through later on, is quite stark reading. It says that, when you look at the data, pull it apart and take it away, Northern Ireland is a completely inward-looking economy. The strategy we have, the incentives we have and the job numbers and the targets we are setting are completely incorrect. The strategy around foreign direct investment and the jobs and so forth that we are trying to create is not only damaging but creating an ever-decreasing circle. There are businesses like ours, which are technical and fundamentally export businesses; we have technical centres in Italy, Poland and now one opening in Serbia, yet on our own doorstep in Northern Ireland we cannot get people.

There is a simple way out of this. If the objective of this Committee is to try somehow to wean Northern Ireland off the block grant, which is like Novocaine to Northern Ireland, and make Northern Ireland self-sufficient over the next 10, 20 or 30 years, the only answer is to manufacture and export our way out of this. To do that, I have a number of notes and ideas about job creation and the types of jobs that are being created, together with the people who are coming out of universities and so forth, and the incentives.

To answer your question—I can articulate this a little more, if you would like—the strategy is not correct at all and needs a rethink. The comforting thing is that no more money is required; if anything, less money is required. Presented in a better way, it could be much more effective. We have an opportunity here, but that statistics report is quite stark about the lack of manufacturing and the foreign direct investment, whereby our best technical staff are being hoovered up by IT businesses, banks and fintech companies that provide no further jobs apart from the jobs they create themselves.

**Claire Hanna:** I hope you will share that with us.

**Chair:** It would be helpful, yes.



Q96 **Claire Hanna:** I know colleagues will pick up on some of those threads. That is certainly a big vision in terms of weaning Northern Ireland off the block grant in total. How responsive have Government, locally and nationally, been to the type of feedback that people like you are trying to give? Do you feel you have opportunities to improve that strategy?

**Peter Cunningham:** From my perspective, as the CEO of the Camlin Group, I follow in my father's footsteps. My father was a very courageous man. He set a number of businesses up, founded on exporting around the world when the world was a much bigger place. For us, we see what can be done in corners of the world. In Northern Ireland, people present very well; we have a very high standard of education. There are great opportunities right in front of us. Yet we seem to take those opportunities and somehow lose them in basic statistics and in trying to create jobs in the wrong areas.

I have some clear thoughts on how we could have some united and cohesive thinking here that could be much more impactful and would dramatically turn around the need for the continuation of this block grant, which in some ways does a lot of damage.

Q97 **Chair:** Mr Cunningham, when you said "areas", are you talking geographically, sectorally or possibly both?

**Peter Cunningham:** I suppose I would like to start with a statement that might trigger some debate. We have a conversation in Northern Ireland that is almost unique to this country. Being a child who was brought up through the Troubles and so forth, I can maybe give you some insight from inside the fishbowl. We have a very strong education system that, if you go right back, comes from a whole range of socio-demographic history and religious issues. Ultimately, we produce a very high calibre of students from our top schools. They can compete with anyone across the UK and, indeed, across the world.

The most important conversation that happens in Northern Ireland is between a 16 year-old and their parents. Almost unilaterally, if you go to any school in Northern Ireland, over 60% to 70% of the best pupils will be looking to do either medicine, law or in some cases accountancy. That is what they are being incentivised to do by their schools, their parents and our system over here. We lose the best of our students into those areas. There is a whole range of reasons for that. The next level of people are then fighting to get into engineering, but the universities are not set up to take them because of things like the MaSN cap.

On the other side of it, we incentivise businesses through foreign direct investment to come to Northern Ireland. The people who are left, when they come out of universities, take up IT jobs, fintech jobs and so forth, which offer them premium salaries. Indigenous manufacturing businesses then have to look outside Northern Ireland to places like Serbia, Poland and Italy to get their engineering done, when there is a wealth of talent in Northern Ireland. We should be incentivising young people. The



## HOUSE OF COMMONS

problem is that in Northern Ireland, people are incentivised to take jobs as doctors, lawyers and accountants because they earn more money. You do not earn as much when you are a young engineer.

One of the ideas that I have is that there should be personal income tax breaks for young engineers going into manufacturing jobs in Northern Ireland at indigenous businesses. Their parents will then incentivise them not to take these jobs. They can say, "If you stay in Northern Ireland in a manufacturing job that exports outside Northern Ireland and helps reduce dependency on the block grant, you pay no personal income tax or a reduced level for a substantial period." That would incentivise people to stay in Northern Ireland and to stay in the economy.

One of the biggest problems that we have in Northern Ireland is that people leave. Our best engineers leave. They get poached and they travel. We actively push over 30% of our young people across the water outside of the university system here, because of the way it is set up.

**Q98 Chair:** Can we just pause there? The diaspora from the island of Ireland has been commented on for many decades. It has been a theme coming through in this inquiry. Mr Huddleston, what are your thoughts on trying to retain young talent, who sometimes go through Northern Irish universities but very often will go to universities in GB and never come back?

**Mark Huddleston:** When I first became skills commissioner for Northern Ireland back in 2015, working with the Member for North Down when he was DEL Minister, I and my predecessor, Bill McGinnis, who was an adviser to the Executive as well and whom I had met several times before, talked about this challenge. As a manufacturer myself in a family SME business, which had done similar things to what Peter just outlined—built a business in Northern Ireland but then grown it here on the UK mainland and in Poland—the challenge I had was that manufacturing was not at the level that it is at today in Northern Ireland.

Over the last decade, manufacturing has been quite good in Northern Ireland in terms of growth, but we now have all the issues that Peter has alluded to. We have good work being generated by the manufacturing sector now, which maybe was not there to the same extent a decade ago. We now have a position where our school system, as Peter has alluded to, is set up for an academic pathway. Working with Stephen and others, we have tried to address that. That has failed miserably. In the last decade, we have not turned the dial there at all. We have built some of the best FE colleges in the UK in Northern Ireland, but we have not filled them with resource. We have put capital resource in, as we are doing now with the city deals, and we are putting fantastic facilities together. We have to sustain them with people. People are what make those buildings come to life and deliver.

Our school system, as has been alluded to, delivers some of the best academic outcomes in the UK. If you do not achieve those academic



## HOUSE OF COMMONS

outcomes, the word “failure” is automatically attached to you. At 16, we are failing around 30% to 35% of our young people, who do not get an A\* to C GCSE. We have been trying for two decades to deliver a 14 to 19 strategy through successive Ministers in the Department of Education. We have been failing to engage properly with the Department for the Economy or its predecessor in DEL, the Department for Employment and Learning.

Q99 **Chair:** Why are we failing to engage properly? What has been the hurdle?

**Mark Huddleston:** It is about institutional bias and where the funding goes.

**Chair:** Whose?

**Mark Huddleston:** The schools’.

**Chair:** The schools’ bias?

**Mark Huddleston:** Yes. The schools are incentivised to retain the young people. There is significant funding. We do not have a sixth-form college strategy or policy in Northern Ireland, as exists across the rest of the UK. Colleges cannot deliver in a meaningful way at levels 3, 4 and 5, which the skills barometer for Northern Ireland has repeatedly articulated is the key gap. That is what is going to drive Peter’s business and our business: when you have technicians coming through who then become graduates or you develop them within your own business.

We have a talent pool there that is being failed, and then we have another talent pool, as Peter alluded to, that leaves. We now need to get the message to that talent pool that there is good work in Northern Ireland—there is work that is going to deliver and pay. To go back to the start, when I was having those early discussions with Bill McGinnis, we were looking at engineering jobs that were maybe paying £25,000 or £30,000. A graduate joining Jaguar Land Rover in Liverpool was earning £40,000 to £45,000. If you graduated from John Moores or Liverpool Hope, which was a fairly standard route for engineers leaving Northern Ireland, you tended to migrate to the very local business rather than come back home again.

We now have jobs and we have opportunity across manufacturing. Whether it is Almac in life sciences or Seagate up in the north-west, there are opportunities right the way through Northern Ireland. Wrightbus has rebuilt and is looking to fill hundreds of jobs. We have thousands of job vacancies in the sector, which could be filled by graduates or by those coming through from an apprenticeship or another vocational route. We basically say, “It is academic or nothing.”

The disinvestment over the last decade in skills and vocational training that would support the businesses that we are working with or the likes of the Camlin Group has been in the region of 30%. We have seen a real-



terms drop from about £100 million to about £60 million in skills investment in the last decade.

Q100 **Chair:** On FE colleges, which I have always been convinced play such a vital part in the development of local and sub-regional economies, we have seen a decade of under-investment, but now more funds are going into FEs. Certainly, they are reporting back on the investment. Is that being felt in the FE sector in Northern Ireland or not yet?

**Mark Huddleston:** No, it is the reverse. In Northern Ireland, we have seen and still see significant capital investment in facilities. We are seeing the resource to utilise and sustain those facilities diminishing. The current budget that is out for consultation from the Executive brings about further disinvestment, to the extent that the Department for the Economy is saying, and business agrees, that we will probably see a failure within the FE system over the next number of years.

Numbers are dropping in the FE sector, because schools are retaining young people. That is partly a result of the pandemic and centre-assessed grading, but also a result of the fact that what defines FE in Northern Ireland is being eroded in terms of the vocational offering and the qualifications issues caused by the changing qualifications landscape across the UK. Further devolution and what is coming out from the White Paper on levelling up today will create a further challenge for Northern Ireland as a sub-region within the UK. As all that has proliferated, we have tried to work closely with the devolved Administrations in Scotland and Wales around things like national occupational standards.

While FE in Northern Ireland has some of the best estate, it is under-resourced. We are now going into another round of industrial disputes with lecturers and staff. From a business perspective, we are a manufacturer that partnered with our local college, South Eastern Regional College, over the years when I was an employer. We see a massive advantage from a college that is well funded and well structured, but that is diminishing. The return that colleges are now offering is diminishing, which will undermine the opportunity for growth.

Q101 **Chair:** I am going to guess that the answer to this question will be a very straightforward yes from both of you gentlemen, but would you share my assessment and analysis that no local or sub-regional economy that has any aspiration to be successful can in any way achieve that success without a vibrant and flourishing FE sector? Mr Cunningham is nodding.

**Peter Cunningham:** Yes, I completely agree, 100%.

**Mark Huddleston:** I agree entirely. There is a fantastic opportunity there. The Commission on the College of the Future, which the Member for North Down was a commissioner for, highlighted the opportunity for change there. I know the Department is very keen to look at some of those changes. That could assist in funding. Peter is right: it is not a lack of funding; it is the proliferation of funding and using it in the right



## HOUSE OF COMMONS

places. That is not helped by the fact that the apprenticeship levy in Northern Ireland is a straight tax on skills and business growth in Northern Ireland.

**Chair:** This is not for here, but, on that point about FE, the funding stream and schools wanting to maintain their budgets, one of the high schools in my constituency has effectively teamed up with an FE college in a neighbouring constituency of Yeovil. This is Gillingham School and Yeovil College. They do a little bit of an income share, I suppose. Nobody wins and nobody totally loses. What they do get is a much better educational outcome for the young people in their collective charges. If you want to contact my office, I can put you in contact with them. There is a model that works and may help.

Q102 **Mr Campbell:** Welcome to both our witnesses. Both of you have given us a fascinating insight. Looking at Northern Ireland now, it is part of the UK; we have left the EU. We have the difficulties with the protocol. If we are putting forward propositions about the change that needs to come about, as I take it both of you are, and looking ahead to a post-protocol era from a year ago—for example, at the significant broadband roll-out that is going on at the moment in Northern Ireland, which seems to be considerably greater than in the rest of the UK—do you have any options or possibilities in terms of the opportunities that lie ahead? We have the north-south and east-west relationships, if we can get them right in terms of the trade and export issues, as Mr Cunningham talked about. Allying the greater broadband penetration that we have with the opportunities that we have, where are we missing tricks? Where could we be doing a lot better?

**Peter Cunningham:** That is actually a very good point. We have had quite a bit of chat about that internally over the last little while. There are a number of opportunities in Northern Ireland that do not really reside anywhere else in the UK, because we have a number of factors that work to our advantage. First, Northern Ireland has a low population density, which in some regards is a good thing. Secondly, we have a very high amount of renewables on the electricity network that we have. Together with the new broadband roll-out, as you have mentioned, and the opportunity that that creates, I strongly believe that there is an opportunity to do something around net zero and the green agenda in Northern Ireland.

Consider the amount of data and the sensorising of the electricity network that is going to be required around the world. With 30% of the world's CO<sub>2</sub> created through the generation, transmission and distribution of electricity, it is the biggest problem of our time. The data required to solve that problem needs the appropriate broadband. One of the major opportunities that I see is for us to become united here. The low population density, the amount of renewables that we have in the network and the new roll-out allow us to sensorise the network in



## HOUSE OF COMMONS

Northern Ireland, to become a showcase, and to create a range of products and services behind that.

Northern Ireland can be the best in the world in this area in a very short space of time. On the back of that, it can create thousands of jobs and create products that can then be exported to the networks in the rest of the world. The roll-out of broadband is fundamental, given the amount of data that will be required. It will be a real anchor point for that. That is an opportunity that resonates very much with what we do and where we are at.

If I take that slightly further, the role of data, AI and machine learning is an opportunity in Northern Ireland as well. Outside of the energy sector, the biggest problem we have, as I said at the start, is the fundamental incentivisation of the people here. We incentivise foreign direct investment to come in and hoover up those jobs, rather than creating manufacturing jobs. In effect, for a company like ours, it makes no sense to do it in Northern Ireland. It makes far more sense to do it in places like Serbia, Italy and Poland. The moment we train people up to do this, we know that foreign direct investment companies are going to come in, take subsidies and pay premiums for the people we have. Given the way it is set up right now, it would be crazy for the chief executive of a private business or anybody like me to think that you could do something like this here and then expand and export rapidly out of Northern Ireland.

**Mark Huddleston:** The need to grow our export capability in Northern Ireland is essential if we are going to get close to the ambition. I agree with Peter's ambition that we should be at least neutral or try to become a net provider to the UK economy. To deliver that, the infrastructure roll-out in terms of digitisation is vital and to be welcomed. It is creating opportunity across Northern Ireland.

It creates a potential in terms of remote access to skills across the Province rather than being focused on having to be in a particular place to do a particular activity. We are seeing the benefit of that already. UU at Magee and the engineering team there have recently won a significant project from UKRI around data capture and using the data from manufacturing to improve productivity across SMEs within the UK, with the initial test bed being in Northern Ireland. The digital infrastructure that we are now creating has been part of that success. We now need to use that to try to understand how manufacturers can become more productive and competitive, and deliver value not just on the island or across the British Isles but globally.

We have seen the benefit of that. My background is aerospace and defence. I look at the work we did. We never talked about it significantly because of the defence element, but 30% of the Lynx helicopter was produced on the Ards peninsula. Currently around 40% of an Airbus wing is produced there as well. A lot of that was to do with the fact that we



invested in our digital infrastructure early and saw the benefits of that. The roll-out of that across Northern Ireland is vital.

Beyond that, to build on the 10X vision, we are going to have to see a substantial change in how the institutions work together in Northern Ireland. It is a small place. We have two physical universities plus the Open University. We have six FE colleges plus CAFRE. They need to come together in a more cohesive way to deliver for business. If we are going to see the opportunities met, we have to ensure that the likes of what UU Magee has won, what has happened with the nanotech corridor between Dublin and the north-west, and what we see with the life sciences growth in manufacturing within Northern Ireland at the moment, is delivered.

If we look at what is challenging that, it is institutional procrastination, to be blunt about it. We have a significant number of projects from the city and growth deals that are taking far too long to deliver. We need to deliver those now. Process has taken over from outcome.

More specifically, to take the manufacturing sector, we talked about the lack of R&D and innovation investment in Northern Ireland. One of our key manufacturing companies at the moment, Thompson Aero Seating in Portadown, is endeavouring to make a significant investment into innovation and R&D. They are looking to grow their innovation and R&D facility in Banbridge and are struggling to find institutional support for that. That is heavily underwritten by their owners, AVIC Cabin Systems from China. They have asked for some support for the rest of the money. It is going to provide long-term jobs, good work and all of those things Peter just alluded to. We are struggling to find a way forward. Those are the types of things that are frustrating manufacturing and that are going to deliver over the next decade for businesses.

**Peter Cunningham:** I agree with everything Mark has said there. You touched on universities. To support what Mark has said, the way the universities are set up here is fundamentally incorrect. The MaSN cap in terms of Queen's and so forth really does restrict the young people coming out of Northern Ireland. There is a cap on the number of students; there is a cap on the fees they pay. They are actively encouraged to bring in foreign students from China and so forth, who then all leave the moment they are educated. We then actively push over 30% to 40% of our students across the water, most of whom do not come back.

The entry level to Queen's, for example, is very high. We miss a lot of the people who could come out of university and go into the system. To do that, we have to look not just at the type of students but at how the universities are funded, incentivised and, fundamentally, run. We are not getting the numbers of students out. Those students who are coming out are not the ones who want to stay in Northern Ireland.

Q103 **Chair:** Mr Huddleston, you referenced—I took a note of it—"institutional procrastination". Why? Who benefits from institutional procrastination?



**Mark Huddleston:** Nobody benefits from it.

Q104 **Chair:** To what do you ascribe the procrastination of the institutions?

**Mark Huddleston:** Bluntly, there is a public sector fear that they are going to end up on “The Nolan Show” at 9 o'clock on a Monday morning for doing something that has a wee bit of risk attached to it. There is a deep frustration within manufacturing and within the business community as a whole—

Q105 **Chair:** People are just risk-averse, afraid to move the initiative on, take ownership of something and drive something forward.

**Mark Huddleston:** Yes. In business sometimes we fail—

**Chair:** That is just because of Mr Nolan.

**Mark Huddleston:** That is an easy and blunt way of putting it, but there is an institutional challenge within our civil service and the public sector, in that we look to protect institutions. This goes back to why we are looking to develop east-west connectivity. I know colleagues were here a couple of weeks ago and talked about the lack of catapult engagement in Northern Ireland. We seem to protect ourselves. I have worked closely with, for instance, Be The Business here in the UK. We cannot get Be The Business to be supported to develop and to grow connections in Northern Ireland.

My experience as a business owner in the north-west of England has been around the Liverpool and Manchester regions, where business leadership works in conjunction with metro Mayors to deliver outcomes. We see that in the White Paper on levelling up that is coming out today. We have failed to engage properly and to take that opportunity. As Peter said, we are very insular. We look inward. We are more worried about what is happening in a neighbouring local council area than about what is happening in Manchester, Liverpool, Glasgow, Cardiff or Dublin. We do not look at the bigger picture. Is the Belfast-Dublin economic corridor a risk? Yes, potentially. Is it an opportunity? Yes.

Q106 **Chair:** Both of you have spoken powerfully about that, and it is an observation that we have heard, albeit in a different inquiry. The reservoir of skills, if you will, to instigate projects, drive them forward and deliver them is constrained by definition because of the geography. There are people in GB who have great experience of driving these things forward and working in very close partnership with academia and business. Is enough being done to reach out to them, bring them over to Northern Ireland, second them into the civil service, host webinars and all the rest of it, to try to pick a wider variety of brains? That may act as a way of breaking this deadlock of your institutional procrastination. Is there enough of that going on, if any?

**Mark Huddleston:** In my experience, no. In the work that Mark Nodder and I are doing with the Makers Alliance, we appreciate that, for the first



time, alongside what has been done around health innovation, the Department for the Economy and others have reached out and said, "We need to talk to industry directly and get industry input." However, even in our work and our activity, that has been frustrated by proliferation. We have nine Departments; we have 11 district councils. We are constantly trying to marry up the moving feast of sub-regional needs against the overall place. We are a small region; we are a small place within the island and within the UK. We need to do something that is quicker and slicker, and that accepts that we do not know it all and we have to reach out.

The city and growth deals were created at a time when there was no Executive. The universities stepped in. The universities are frustrated that the Executive are now looking to manage the whole thing and governance is becoming an issue. For us as manufacturers sitting outside, the delivery of the Advanced Manufacturing Innovation Centre, CIDRA in the north-west or the innovation centre in Ballymena is now being frustrated by the fact that we have to go through a very slow process to get Department of Finance sign-off at the end and get an outcome that delivers for business.

**Q107 Chair:** We may be surprised by the answer to this question, but, picking up on something you just said then, between Stormont standing or Stormont collapsed, which is better for business and for addressing the issues you are talking about? It would seem to me that you see Stormont as an impediment to progress.

**Mark Huddleston:** I will answer first and then I will let Peter speak. It is not so much Stormont, as in the Assembly, as the process being set above the outcome, and where business is being put by the public sector and those who are supporting that.

Why do we have to wait? What is the issue with pulling the catapult network into Northern Ireland and saying, "We have these city deals around advanced manufacturing and other elements of innovation; we need your support in delivering them. We are not asking you to run them for us, but to work in partnership with us to deliver them," without all the bureaucracy that we are going through and without the multiple business cases leading to a final business case leading to ministerial sign-offs at different levels? That is the process that has been outlined. How the money flows is a challenge: Treasury, DLUHC, Finance, Economy and then into the universities. It is a long, long chain. We can do better than that. You would not tolerate that in business.

**Peter Cunningham:** Mark has answered this well. From my position, on Stormont versus Westminster and stuff like that, I will respectfully decline to comment on that particular point.

**Q108 Chair:** My question was not about Stormont versus Westminster. It was whether Stormont functioning or Stormont in hibernation was better for business. Mr Huddleston seemed to be implying that in actual fact more



got done when Stormont was not there. Secondly, he started to speak about how, when Stormont gets back up and running, it retakes ownership of some things over which it has competence and then rewrites things, and therefore progress that was timetabled is not made as people review terms of reference and the like. That seemed to be what he was saying.

**Peter Cunningham:** Yes, 100%. Again, I will slightly sidestep Stormont and its involvement, and so forth. There are people who are better placed to comment than I. However, there is a real situation at the root of the problem in Northern Ireland. Northern Ireland has a very high percentage of its population in the civil service, much higher than anywhere else in the UK. When you take in the number of associated companies that derive over 80% of their income from the civil service—most are not directly employed, but indirectly employed—it is a staggering amount. I have some statistics here, which are in the report I have here: 89% of businesses are microbusinesses, with less than 10 people. There is such a small number of them that manufacture.

The very root of the problem in Northern Ireland is risk. Business is about risk; business is about failure. Our business is not built on success; our business is built on failure: the failures we have had, understanding why we failed and having the ability to get back up again. One of the things that I am most proud of is that my father made mistakes, but he was able to get back up again and so forth. That is how businesses are made.

In Northern Ireland, we have a fundamental problem. For every decision that needs to be made in manufacturing, or anything else that requires it, an almost insurmountable amount of bureaucracy has to be overcome. People in certain positions need to have every point justified to make sure you must not fail. The cost of failure in Northern Ireland is far too high. The bar is too high. Businesses like ours fail every day. Risk is part of business. Risk is associated with growth, but it is actively discouraged.

Q109 **Scott Benton:** The UK Government have introduced a plethora of new funding streams. We have the levelling-up fund, the community renewal fund, the shared prosperity fund etc. In the main, those schemes are administered by the UK Government directly rather than involving any local decision makers in Northern Ireland.

I have two questions following on from that and I will ask Mr Huddleston to come in first. First, how successfully have those different funding streams been administered? Secondly, do those adhere to or align with the strategic economic objectives of the Northern Ireland Assembly?

**Mark Huddleston:** The funding for some businesses in Northern Ireland has been very good. I would go back to Peter's point: we are a microbusiness economy. It can be quite challenging. Even some of those microbusinesses have been very good at engaging with BEIS, UKRI and others around the funding streams that are available, as well as with the catapult network.



## HOUSE OF COMMONS

We had only 13 applications to the community renewal fund from Northern Ireland, of which 11 were successful. None was linked to business outcomes; they were to do with direct community renewal. Yet we believe, and we have been articulating to the councils, as manufacturers, that community renewal also involves good work and developing the capability of our business community. We have a very proliferated response in terms of who is acquiring what funding at the moment. The shared prosperity fund is still vague to Northern Ireland in terms of what it will or will not deliver. Whether today's White Paper helps that understanding I do not know.

We lack a strong underpinning policy that then engages across the UK and potentially across the island. We also have the all-Ireland fund that the Taoiseach is running out of Dublin as well. We have a number of avenues that could potentially act as a win-win for Northern Ireland. I look back to Andy Haldane's paper last year about the Industrial Strategy Council. To the earlier questions about where we need to co-ordinate our response, we have an issue about the scale and longevity of investments. We are seeing pots of money appear and then disappear or be changed. The initial feeling about the levelling-up White Paper—I agree with those who have commented already on the initial pieces of it—is that it is a good start, but it is well short of funds. There is not the level of money needed to support the regions.

I also concur with Peter's point that, in Northern Ireland, we have a level of funding that is so heavily proliferated that we are not getting the best value for it. If the audit office or others were to look at it, I am sure they would say we are wasting funds rather than actually delivering. We are very poor at collaborating in Northern Ireland. If somebody has a bright green tractor, the farmer in the next field wants a bright red tractor. It is the same in manufacturing. We need to work more closely together as a sector.

Northern Ireland is an attractive place to live. We have pretty much cracked that: it is a good place to live. On universities, we have touched on the MaSN. That has an equal impact on FE as it has on HE. Our universities are strong, but can they be stronger in terms of the spin-out activity, what happens there and how they use the funding that is available to them? Yes, potentially.

We have talked about digital infrastructure. That has been well funded, but our transport infrastructure is still well short in terms of road and rail infrastructure, if we compare that to the north-west of England or the Glasgow city region. We are a more dispersed population, so our road and rail infrastructure should be much stronger. We have also failed miserably on the skills front.

If we are looking for a strategy and a policy, we need to build it around those six points. We need to engage more widely with the UK activity and influence it. We need to spend more time being aware that a single voice,



as has come from Steve Rotheram, Andy Burnham or Andy Street, has produced a lot more of what is in the White Paper than has come out of the proliferated response from the Executive and Northern Ireland. Business is losing out as a result of that, and therefore our communities are losing out in Northern Ireland.

**Q110 Scott Benton:** I will come back to you on a couple of those points in a second. Mr Cunningham, do you have anything to add more broadly in terms of the disbursement of funding and whether the key strategic objectives of the Executive in Northern Ireland are being met by those UK Government funding pots?

**Peter Cunningham:** I do not have much more to add. Mark answered the question very articulately. Going back to my previous point about risk, the Northern Ireland Statistics and Research Agency report that I referred to earlier clearly states that, overwhelmingly, too few companies are prepared to export. Ultimately, it is an inward-looking economy. The reason for that is the lack of appetite for risk.

What we are looking for is a funding mechanism that allows businesses to take risks. As the CEO of a business that is spread around the globe, I can tell you that, if we were to encourage exporting from Northern Ireland with manufacturing jobs based in Northern Ireland, the processes and the funding mechanisms that we have had to date are not sufficient, or anything like it, to overcome the inertia that is there and for us to take those chances and risks, which allow us to create products for export.

For smaller businesses than ours, we see this all the time in our supply chain. There are some very, very good businesses. We have a lot of talented businesses around us. Whenever we approach them and say, "We have an opportunity to do this," almost unanimously they say, "Why would I do that?" It comes down to cash flow. For people who live in this world, first and foremost it is about cash and paying the bills. The way these things are set up at the moment does not really take that into account. The payment profile almost works against the risk profile. Why take the risk when you might get the money after a period of time but the actual working cash is required up front? From my perspective, the mechanics of it are just not set up correctly at all.

**Q111 Scott Benton:** Turning to the city deals specifically, I have two points. In your previous answer, Mr Huddleston, you spoke about the skills agenda being absolutely essential. Skills are very much embedded into what the city deals are trying to achieve, along with innovation, employability etc. I have two sub-questions, really.

First, how effective will the city deals be in encouraging local investment? Secondly, are the city deals there to match the needs of industry in terms of the skills agenda and to plug those gaps particularly? How can you see the city deals supplementing the deliverability of the skills agenda and plugging those gaps?



**Mark Huddleston:** From the work my colleague Mark Nodder and I have done so far on city deals, we see them as a great opportunity. We have already given that feedback on a number of the projects and opportunities, and we are actively engaged in supporting those. We also see significant gaps. The first is around the governance of those and how we are going to manage them, to answer both of the questions you raise there. Do they deliver the needs of industry? Are they properly listening and engaged with the needs of industry across Northern Ireland, not just in the element of the city region that they are looking at?

We have—again, this is a failure—four or potentially five city region deals for Northern Ireland. We really only needed one for the whole of the region. The politics or anything else behind that does not really matter. We now have them, so we have to live with them. How do we build between the dichotomy of universities that are really focused on research at TRL 1, 2 and 3 and businesses that genuinely want to be working at levels 7, 8 and 9, while finding a way of meeting in the middle around innovation at levels 4, 5 and 6?

There is a lot of work still to be done there. We have lessons to learn in Northern Ireland. We have the Northern Ireland Advanced Composites and Engineering Centre in Belfast at Queen's Island, which has elements of great success in it, such as the A220 wing, but it has sat empty for quite a period of time in terms of its broader application across the opportunities around composites. There is a lot of work being done to re-energise that. What is important is that it is now linking with the National Composites Centre in Bristol. We now see it engaging with the catapult network and partnering with the NCC through the High Value Manufacturing Catapult. That is going to be how we make these other projects successful: by linking them and engaging them with those other activities across the UK so they are not stand-alone institutions.

To answer the skills part, that is probably the most difficult piece. All the city deal projects talk about the importance of skills and how we build them. First, we have to create a pipeline that delivers, but, as Peter has kept articulating, we have to deliver the skills that the industry actually needs, and not just research activity and associated support. How do we strike the balance between having a lot of academics doing academic research and the applied elements of that? There is a long way to go on that. If we do not get that right, these will become white elephants. There will be significant investment, but when Treasury comes looking for its return, which is what Peter has rightly articulated, it will not be there, and therefore other activities will struggle to progress. We have a lot of work to do. We can do it if we get regional co-ordination, work together as an entity rather than as individuals, and start to build some cohesive thinking.

A strong programme for Government and a link to some strong policy decisions by the new Executive would help that. We have to assume that we get political stability coming out of the Assembly election. Otherwise,



business is going to have to bypass the Northern Ireland structures and work directly with the catapults and try to find a way of engaging. That is difficult to do because, as Peter has alluded to, we are a small microeconomy. For a lot of businesses, that is a challenge.

**Scott Benton:** Thank you. That is very helpful. Mr Cunningham, do you have anything to add in relation to that?

**Peter Cunningham:** No, not much. Mark has answered that very well. Again, as an example of how we have gone around the system, we are working very closely with NIE Networks. They have had a skills gap that they are trying to fill, so we are working very closely together. We are trying, between us, to identify a number of the skillset gaps that are there. The two companies are working together to look at this and ask, "How can we best work together to try to meet the requirements there?"

That is almost independent of any other external force. The boss of NIE and I are working together and saying, "Let us try to identify four or five different skillsets." There are massive gaps here that need to be filled. The lack of co-ordinated thinking outside of the business area means we almost have to jump in ahead and solve the problem ourselves. We are seeing that right across Northern Ireland.

Having travelled to China and places like that for the majority of my working life, you witness parts of the world where they get united around a certain common goal and you see the things that can be done. Given Northern Ireland's low population density and its high-quality education system, we have the opportunity to do some things really, really well, if we get focused and we get the right level of funding and Government support. Importantly, we cannot be good at everything. We have to choose what Northern Ireland should try to be good at and what products and services we should be manufacturing around.

When you see areas of the globe that have really been transformed—I could name five or six of them—where the Government, business and the appetite for capital have been brought together, all of a sudden it is transformational. I believe that Northern Ireland has the opportunity. The funding is already there. We just need to make sure we have a united vision and strategy that is joined up. We also have to remember that we cannot be good at everything. We need to identify, first of all, what we want to be good at, and then the skills gaps to get us there. Let us fund it properly and let us not be afraid to take the risks, because you learn the most from failing and getting back up again. In Northern Ireland, we are fundamentally afraid to fail.

Q112 **Chair:** Can we turn to foreign direct investment, gentlemen? You have spoken a lot about growing home-grown businesses and so forth. Very often focus will go on to FDI. I wonder if you could talk about what you would like to see with regards to the balance of emphasis in meeting that twin challenge of growing what exists currently while trying to attract inward investment. What might be the two or three key messages to



## HOUSE OF COMMONS

foreign inward investors to attract them to Northern Ireland?

**Peter Cunningham:** Maybe I could answer this one. When you go around the world getting companies to invest in Northern Ireland, Northern Ireland has a chequered history. Being, as I say, a child of the Troubles and growing up beside one of the biggest army barracks in Northern Ireland, the history of Northern Ireland carries all sorts of connotations with it.

The fact is that Northern Ireland is a very nice place to live. It is our home; I love it. Mark is the same. It is a great place. We have lovely countryside; the schools are free or very cheap; we provide a very good education system. When people come and see it, they like it. The people are pleasant and so forth. It is not actually a difficult place to sell, for a start, when people get over there. They also enjoy the traditional craic. Foreign businesses and people like being in Northern Ireland. That is a really positive thing.

It is good for Northern Ireland to have banner companies coming in. It is great for companies like ours, because you learn from them; you feed off them; you get skillsets; you do collaborations and so forth. I very much encourage that, but they must be the correct types of businesses. We cannot just be targeting the foreign direct investment strategies around trying to get jobs in IT, the banking sector or law firms and so forth. They are prepared to pay a premium to suck up our best talent, but they do not create any further wealth.

In manufacturing jobs, for every engineer who works in an engineering business that creates products, up to 10 other people have jobs. We have to understand that a manufacturing engineering job, whether it is through foreign direct investment or in an indigenous business, is very different to an IT job that has no manufacturing associated with it. If Northern Ireland can separate those two things out and incentivise companies correctly, it would have a marked effect on Northern Ireland in a very quick fashion.

I have spent a lot of time in the US over the last few years. Northern Ireland is held in very high regard. Our people are very good at business over there. When people in the US come over here, they enjoy doing business in Northern Ireland. It comes down to one word: trust. People in Northern Ireland who do business have a high work ethic; they are easy to trust; the businesses are trustworthy. We are made for export. We need a mixture of foreign direct investment targeted at the right companies and the right jobs, working together with indigenous businesses with the right level of capital and the right risk profile, and with the universities set up in the correct way to fund the skills gaps that have been identified.

Strangely enough, I do not believe it is that difficult. I do believe it needs a lot of courage, cohesive thinking and a united vision. If you look at the data, I do not believe it is that difficult, strangely.



## HOUSE OF COMMONS

**Mark Huddleston:** There is a conundrum here. FDI has delivered. Having those banner companies is interesting to Northern Ireland and has certainly played its part in the rejuvenation of areas like the Titanic Quarter in Belfast. However, it has had an indirect consequence, as Peter has articulated, for our indigenous businesses. That is now undermining our opportunities for growth and how we scale.

As indigenous businesses, we need to invest in our leadership. Not every leader is as articulate or as visionary as Peter. I have been fortunate. I believe my father was one of those people who had a vision and delivered in terms of manufacturing for Northern Ireland. He was outward-looking and he recognised that export was the way forward there. We had to, because aerospace is a genuinely global sector.

However, to address the issue of how we move forward around FDI, FDI plays its part in a number of ways. We need to strike a balance now. This goes to the heart of the future programme for Government and the lack of underpinning policy. What is the policy? Is it about job announcements or about delivering good work? Whether we look at that in terms of what is deemed to be fair work in Scotland or what is being done around levelling across the UK, as a place, as Northern Ireland, we need to ask, "What is it that we actually value? What do we value in terms of our communities, social inclusion, social mobility and delivering for the people?" It is wrong to create this false pretence that lots of jobs coming from FDI is going to create long-term wealth, because it is not. There is going to be a level of portability with that investment, which is not seen particularly within the manufacturing sector.

A lot of our manufacturing sector is indigenous; it does not come from FDI. Where we have had FDI in manufacturing, on the whole it has left Northern Ireland. There are a few exceptions such as Seagate, but Michelin and Gallagher have left Northern Ireland. We have seen the likes of Bombardier sell to Spirit. We have moved from being an original equipment manufacturer of aircraft to being a key supplier within the aircraft supply chain.

How do we move forward? As Peter has articulated, it is going to require some change in thinking. How do we help our indigenous businesses grow? How do we create the ambition for those 10 to 20-person microbusinesses to grow to 50 to 100 people and deliver an export? We are going to have to consider how our local businesses are actively supported to grow and potentially do what the likes of Kainos, Almac and others have done, which is to bring talent in by acquiring other facilities and growing as a global network.

It cannot be just about creating jobs and it cannot just be about one particular sector. Peter is right: we cannot be good at everything. We have to focus on certain activities. We have a long history in agri-tech and agri-food, which is closely linked to manufacturing. Moy Park would be a key agri-food business. It is also a manufacturer; it just happens to



manufacture chicken products. How do we ensure those businesses, which have a long history and deep roots in Northern Ireland, are sustained? Those are the businesses that reach deep into their communities. The impact of Moy Park withdrawing activity from Ballymena, Ballymoney and around that area is deep and hard, and the same with the loss of Michelin and Gallagher from that area. Business in mid-Ulster, for instance around the crushing and screening industry, is growing. That activity is blossoming. We now need to ensure that those businesses can continue to grow without seeing a disparity in support between what is happening in mid-Ulster and what is happening, say, around Belfast with the digital and tech sector.

We have to find a way for both to co-exist. The way we are going to do that is by changing our education and skills system to ensure we retain our people and bring people through. We continue to lose people from Northern Ireland, but we also continue to fail an element of our community and add people to the long-term unemployed and NEET. We have failed to properly engage with our neurodiverse community and, particularly, to get them into the tech sector and engineering, where they are highly creative. The fact that 70% of deaf people in Northern Ireland end up long-term unemployed is a damning statistic about where we are as a place.

To a point that Peter raised earlier, there is real opportunity for FDI and local business to engage properly in something like decarbonisation. The opportunity there is huge. That is where we can benefit from the catapult network and wider UK activity, as well as the local strengths of companies like Balcas in Enniskillen, Catagen in Belfast and others that are working in that area already. How do we bring offshore renewables, energy systems and the connected places network together to help in terms of public good and the outcome around EV and other opportunities there? The Compound Semiconductor Applications Catapult and the High Value Manufacturing Catapult will help tech scale up in Northern Ireland.

The UK is probably not short of them as a whole, but we have three natural resources in abundance in Northern Ireland: wind, water and wood. Let us use them properly. We have one of the largest renewables businesses in terms of wind generation, which cannot get planning and approval to build enough onshore or offshore renewables opportunities in Northern Ireland. We can be completely self-sustaining in terms of electricity production, if we have the right way forward there.

- Q113 **Claire Hanna:** In terms of foreign direct investment, it appears, at the non-expert level, that the south has been getting it right for decades, in terms of both attracting the jobs and then the investment in skills and infrastructure. Somebody described that concept of overspill catalysing indigenous development and harnessing the knowledge and so on that is coming in to grow business locally. How best should we try to replicate that in terms of making the best of what is on offer, while availing ourselves of the opportunities for the north-south and all-Ireland



## HOUSE OF COMMONS

economy to try to tap into what is already successfully and sustainably happening?

**Mark Huddleston:** The investment in our nearest neighbour has been predominantly outside of manufacturing. There is a lot of activity happening at the moment to try to address that. We could see spillover. It is frustrating, for instance, that our largest life sciences manufacturing business, Almac, has to find a lot of its technicians in Galway rather than being able to use Southern Regional College to deliver those.

There are a couple of key lessons to learn. One is the co-ordination of funding and the collaboration in the funding structures in the south, and I would say the same about Scotland. That plays a lot to the political will in terms of how that is applied. The second thing is the nature and the longevity of the activity. It is not about a cycle of pilot programmes and initiatives that either fall over or are not delivering on business needs and hearing the voice of business.

If I take off my Makers Alliance hat and put on my Northern Ireland Skills Council hat, I am the vice-chair of the Northern Ireland Skills Council. I and Jackie Henry, a senior partner in the UK in Deloitte who chairs that body, have met with Paul Healy, the chief executive of Skillnet in the south, and have spent a lot of time looking at how the Irish National Skills Council, Skillnet and its partners across the island deliver skills for the Republic of Ireland. That has been done over a 25-year period. Skillnet was created in 1998 as an answer to the Celtic Tiger. There is a surplus in the Irish skills fund, which is roughly equivalent to the apprenticeship levy. The organisation is well funded; it is able to deliver on skills. Yes, it has evolved and it is not perfect, but it has taken a consistent approach for 25 years, where we have seen bits of things done, and elements of activity happen and then drop off. We have failed to do that.

It is the same in Scotland with Skills Development Scotland. We sit as this odd bod where we keep trying an initiative; we keep trying a programme. We need something that, as Peter said, we can coalesce around and say, "That is what we are going to do," and then deliver it.

**Peter Cunningham:** Mark has answered that very well. From my perspective, the strange thing is that Invest Northern Ireland, as a Government body, has some tremendous people working there. For example, Steven Harper, who sells Northern Ireland to foreign direct investors, does a fantastic job. He is excellent at putting Northern Ireland's best foot forward. He and his team should be celebrated for that.

As for the way the south does it, I have been in the US and witnessed the full force of the idea down south. They almost remove all the hurdles once they have identified a target. They understand which companies they want to go after. They use political will in the US. When they find a company, they identify all the hurdles that could perhaps be put up in



## HOUSE OF COMMONS

front of them, and they take time and thought to knock those down in advance.

The difference is that they are very clear about the impact of the certain type of jobs that they are going after here. Perhaps in our case, it is not quite at the point when any job will do, but it is about getting jobs in. If there were a more focused approach perhaps on fewer businesses, and if the same resource could be spent on targeting those businesses in a more creative way and knocking down the hurdles properly, they would come. The right businesses would come with manufacturing and so forth, which would better support the Northern Irish economy.

As a group of people in Northern Ireland, we have to identify, first of all, what type of economy we want to become and what type of businesses we want, and then have a clear focus on those. Going back, we cannot be good at everything. If it fits into our vision, let us approach these companies in the right way. Again, Northern Ireland is made for business. People see that when they come to Northern Ireland. They like it. They like the people; they like staying here. Apart from the weather, which is the only thing we cannot do anything about, it is a nice place. People see that and they want to stay in Northern Ireland when they come.

**Claire Hanna:** Thanks a million. That is really interesting.

Q114 **Chair:** Gentlemen, could I ask for a word or two on any interactions you have had with the Department for International Trade? I am keen to see if they have been trying to understand the granular needs of business, the potential to export and so forth. If you have not had any, just say you have not had any.

**Peter Cunningham:** No, not really, from my side.

**Mark Huddleston:** I have had experience directly with them in the past from an aerospace perspective. They were very useful. When I was in business, at times the engagement between Invest NI and them was very useful. Certainly from our perspective in manufacturing, the establishment of a team in Belfast is welcome as long as it is done with a collaborative approach between the various entities and we have the right connectivity.

As Peter rightly alluded to, Steve Harper and his team have done a fantastic job based on what they have been tasked with. The current review of the activities of Invest NI is a welcome opportunity to consider how we shape that going forward.

Q115 **Chair:** We should not be unduly anxious about that process that is in hand.

**Mark Huddleston:** No, in my view.

**Stephen Farry:** Good morning to both of our witnesses. I was scheduled to ask about skills and education, but they have been threaded through



most of the answers so far, which is probably fairly inevitable.

**Chair:** The floor is yours, Stephen. You can ask what you like.

Q116 **Stephen Farry:** I am still going to do that. Just for the official record, I will make transparent that I appointed Mr Huddleston as the Northern Ireland commissioner on UK Commission for Employment and Skills back in 2015. It is not really a declarable interest as such, but I put that on the record anyway.

I will frame my question in this way. To collate what both witnesses have said so far on skills and education, can you give us a sense of what you see as the top three skills challenges at present facing Northern Ireland? Then turn to the top three immediate or short-term interventions that we could do to try to turn things around and the three longer-term things that need to happen on skills. Naturally enough, I will turn to Mr Huddleston first.

**Mark Huddleston:** The biggest challenge at the moment is the proliferation of activity. We have an opportunity through the new skills strategy that the Department for the Economy has developed to address that. The OECD report that led to that skills strategy emphasises that and highlights the fact that governance is one of the three key challenges. The strategy itself talks about three interesting pieces: lifelong learning, skills imbalances and the digital spine. Arguably, all of those have a place.

If there is something in the longer term, that lifelong learning piece is critical because of where the economy is going. How do we continue to reskill and develop the capability of our people so it is not about an outcome at GCSE, A-level or some form of tertiary education, but about consistently supporting people to grow and develop their capabilities over time?

In terms of immediate interventions, there is a range of things. Particularly for the manufacturing sector, we need to develop those level 3, 4 and 5 qualifications and support young people into that place. Careers advice in Northern Ireland is broken and has been for quite some time. That could be said across the UK. With FDI, when you bring people here and show them the businesses, they are blown away. The same applies to manufacturing. When you give people the opportunity to have experiential learning in the workplace, it changes their view of what can happen and what the opportunities are within manufacturing. We are seeing that already. There is an initiative in mid-Ulster called MEGA, where schools and manufacturing businesses are working very closely together and essentially bypassing a lot of the bureaucracy in the system to work together to deliver. That has already seen an outcome through the first degree apprenticeship in Northern Ireland being launched.

There is an immediate need to invest in leadership skills. You and I know that. We looked at that challenge together when you were Minister and I



was skills commissioner. That challenge still exists now. We do not have any really strong intervention or policy field around that. Stronger leaders will help businesses to grow. I have experienced that. The reason the family business grew was that my father experienced that back in the early 1990s, going through leadership programmes. I experienced it with Invest NI in the 2000s and beyond, and even more recently in some activity. We need good, strong leadership programmes.

Going back to Peter's earlier point about looking outside Northern Ireland for that experience, I had experience of working for a number of weeks in facilities in the States with Boeing and then in Broughton with the Airbus team. Spending time in those businesses and seeing how they grow and nurture their leaders gave me a transformational understanding. That transforms SMEs and transforms the opportunity. It comes back full circle from governance to proliferation. There are sufficient funds in the system if the levy is devolved, as the Fiscal Commission is potentially recommending at the moment.

Q117 **Stephen Farry:** Just on that, Mr Huddleston, for the record, could you maybe explain what is happening with the apprenticeship levy in Northern Ireland and why it is such a source of frustration?

**Mark Huddleston:** As we all know, the apprenticeship levy is paid by businesses with PAYE of £3 million or greater. At the moment circa £65 million to £70 million is spent between the public and private sector on apprenticeship levy funding in Northern Ireland. That goes to the Exchequer. It should equate to around an £85 million Barnett consequential for Northern Ireland. Due to comparability, for various reasons, Treasury then washes about £50 million of that out. We get circa £35 million back in levy funds to the Department of Finance in the block grant. That is not hypothecated. It cannot be, because of the devolved responsibilities for skills in Northern Ireland.

A decision was taken by the previous economy and finance Minister in 2016, just prior to the collapse of the Executive, that that money would go into the central pot and be used to fill the hole in public sector funding from the levy. Arguably, half of that was private sector provision and should really be going to the Department for the Economy to pay for skills programmes and to support skills. At the moment, it is a straight 0.5% tax on large businesses in Northern Ireland.

Q118 **Stephen Farry:** It is a tax on businesses, from which they get no benefit whatsoever and no return in terms of skills training.

**Mark Huddleston:** Yes. Using those together, you could see a potential outcome that delivers the skills that businesses need now. There has been a range of activities. We have things called skills academies. They have been very successful in many ways, but they are essentially sticking-plasters over the issue. A change from early years right through to secondary education is what is required, but in the short term it is



## HOUSE OF COMMONS

about leadership and delivering the opportunity of collaboration and simplifying the system for small businesses.

**Peter Cunningham:** Mark has answered that very well. From my perspective, I will give you a few particulars. This is something that I feel very frustrated about. I know a lot of the people in my position do as well. For example, we work with different data companies. We have now expanded in terms of machine learning, artificial intelligence, edge computing and so forth. That is the new tech sector; that is the way things are going. I believe that could be the centre for growth around net zero and things like that.

In Northern Ireland, our schools produce a very high level of graduate. The A-level mathematics results that we produce here are very high. We get people coming out of the top schools with A\* grades and so forth. Fundamentally, those students who are getting A grades in maths, physics and so forth are well set up. In other countries, they are ideal for the tech sector. Unfortunately, to solve some of these tech problems you need to understand things like linear algebra; you need to understand the basic mathematics in order to enter the world of AI and machine learning.

Almost unilaterally, the best students in Northern Ireland are not doing engineering. As I said at the start, they are being actively encouraged to be lawyers, doctors and in some cases accountants or to go into the civil service. I know this sounds quite dramatic, but we do not need any more lawyers. We are certainly very appreciative of doctors and everything else, but we have enough. Our best students are going into these areas, which means that the people who are left to go into engineering are not getting the right levels of basic mathematical schooling and so forth, which means they are not entering into these high-precision and high-level tech jobs.

Let me answer your question, what are the three biggest skills challenges? First, we actively incentivise the wrong behaviour, because there is a lack of risk. In Northern Ireland, it is about making sure you get a nice salary so you can afford the mortgage to buy the big house, because it is safe. You do not get paid enough to be an engineer; therefore, your parents do not encourage you. That is the No. 1 challenge in Northern Ireland. Secondly the required software skills, which are the foundation of the tech economy, are not present inside Northern Ireland. There are nowhere near enough of them. We do not even have 20% of the volume of engineers that we need. That has to be tackled.

The core engineering, the electrical and electronic engineering, to support that is simply not seen to be attractive enough to people. The problem with those types of skills is that they are tough. You cannot short-circuit those skills. You have to go to university and do three to four years of foundational engineering. You cannot just do a six-month transition course. If we are going to grow the tech economy properly, every person in engineering is going to create 10 other manufacturing jobs. If they are



to come from Northern Ireland, we need to solve those particular problems. In my opinion, it is not complicated. We can talk about the tech skills and everything else, but, if we do not solve those three problems, it is like rearranging the deckchairs on the Titanic.

**Chair:** We all know that feeling at the moment.

Q119 **Stephen Farry:** I have a quick follow-up to both witnesses. To what extent does the current budget uncertainty in Northern Ireland, both in terms of having a budget and the potential for quite significant cuts to some Departments, jeopardise the wider 10X vision and, in particular, aspects of critical skills intervention?

**Mark Huddleston:** I would add to that the potential that the White Paper being announced today is also underfunded. Underfunding in the White Paper and the levelling-up agenda could be coupled with the budget uncertainty. There is a natural political understanding that money towards health will be good on the doorstep. However, when you get under the skin of that, the need for continued funding of health is partly driven by a failing economy. The economy not being properly supported to deliver and grow creates a challenge.

Skills underfunding, which has now happened for over a decade—you know this better than me, having been the Minister—will continue to erode the ability for business to meet its potential and grow. Business will then mitigate, as Peter has done, and will invest outside Northern Ireland. We have made those business decisions in the past ourselves despite the massive support that we received—I am speaking personally here rather than through Makers Alliance—as a business from Invest NI and others locally in Northern Ireland. While we grew and wanted to grow the business locally, we were forced into those decisions to grow and invest, particularly here in the mainland but also further afield in eastern Europe, and to tap into the potential and the capability that existed.

It goes back to what Peter has said repeatedly, and it is the thread that I have picked up on the most: we need to pick something we can coalesce around. Certainly for me, if we are going to be a successful economy in Northern Ireland, we have to generate the skills. It was put to us by Stephen Kelly at Manufacturing NI as a challenge that we have to assume that there will be no more people. As we automate, as we embrace AI and as we embrace the fourth industrial revolution, how are we going to use the resource that we have, the people we have in Northern Ireland, to the maximum potential?

That should be the fundamental question for the Executive. They have said that one of their three priorities is reskilling post the pandemic. Yet, having said that it is one of their three priorities, they have immediately cut further the funding to that Department. Having complained that we would not get a three-year outcome, it is even worse because that is part of a three-year outcome now.



## HOUSE OF COMMONS

**Peter Cunningham:** In this regard, Mark has answered that very well. I do not have anything further to add.

**Chair:** That is often a very good answer, Mr Cunningham. Too many people say, "That was a very good answer" and then repeat it. Thank you for that.

Q120 **Claire Hanna:** Green technology and decarbonisation have come up a couple of times. You have both, specifically and generally, indicated that it is a good thing and something that we should perhaps focus on. Scott Benton outlined the different streams of UK Government investment that we are focusing on. What advice would you have for targeting that to make the best of those opportunities and the natural resources that you spoke about?

**Peter Cunningham:** Maybe I could answer this one, Mark, if you do not mind. From my perspective, this is right up our street in terms of net zero and the opportunity that lies there—*[Interruption.]*

**Chair:** Mr Cunningham, I am sorry to interrupt. We seem to have the Queen's flight, or something or other, going up and down the Thames. We have the widows open for Covid regulation ventilation purposes. Shout as if we are all slightly hard of hearing.

**Peter Cunningham:** If I can talk about the mainland UK distribution businesses, our business was founded to support the six distribution businesses across the UK in terms of fault restoration and fault location. What you find on the mainland is that the businesses are very heavily regulated. Ofgem and BEIS do a very good job. The six DNOs are very well run. Recently there have been issues with storms and so forth, but the businesses are well run. The UK is by far the most heavily regulated market in the world.

As a result of that, there is a real need now in terms of how those businesses are funded, the cost of equity versus the performance and the customer minutes lost versus the customer interruptions. There is a really serious discussion going on about how they meet the challenges of the future in terms of net zero, electrification of heat and the advent of electric vehicles. Meanwhile the cost of energy is going up all the time. It is a very serious challenge for these executives across the UK. We are working alongside them to try to add visibility, levels of intelligence and so forth to the networks.

The extra dimension that the UK mainland has is population density. It is very difficult. An awful lot of people are affected by small changes. Because of the price rises here, it is extremely difficult. In Northern Ireland we have an opportunity to get ahead of the curve, I believe, because of low population density and the amount of renewables. As Mark said, we have a lot of wind in Northern Ireland, which is a good and bad thing. We have an opportunity to showcase in Northern Ireland something dramatic by taking the learning that we have seen in the UK,



## HOUSE OF COMMONS

by embedding some of that regulation and funding into Northern Ireland, by empowering the likes of NIE and the NIE Networks team, and by allowing them to reinforce their networks and so forth.

I believe we will create a whole ecosystem of businesses on the back of this. Other businesses will see the opportunities. Other businesses in our supply chain will flourish and grow. I believe there is an opportunity in Northern Ireland for us to become a global pillar and really showcase how to come at the forefront of the net zero challenge.

For the first time ever, energy bills are now the most common topic at dinner parties, more so than mortgages and house prices. It is now the thing that people talk about. Within the next five years, it is estimated that the number of holidays taken by an average family will drop from two to one because of the cost of energy. Energy is a big challenge, together with meeting the net zero challenges and the green recovery.

I believe that Northern Ireland has a great opportunity to effect change in this area. I feel very passionate about it. However, we have talked about the skills gap, the lack of collaboration, the lack of risk and the lack of empowerment from Government. That is the inertia that we have to overcome. I hope that has answered the question in some regard.

**Claire Hanna:** It did. That is definitely something we can pick up.

**Mark Huddleston:** I have a couple of things to add. Our Executive have a huge opportunity here to support manufacturing indirectly and, immediately, to support the decarbonisation of Northern Ireland. They have that through the fact that we still own NI Water as well. We have means whereby we can produce green hydrogen, connect it to the grid and utilise the opportunities we have there due to the fact that we have retained public ownership.

We still have a public transport network in Northern Ireland—Translink. There is a massive opportunity, if the Executive can pull these various threads together and get out of what I described to the NILGA conference recently as the mentality of silos rather than bridges. We work independently of each other rather than building bridges to each element.

The other piece that creates a huge opportunity both for manufacturing and more widely is embracing the full circular economy and engaging across all that. If you put those together with what Peter has said, we have a road map that can create a sustainable, affordable energy network in Northern Ireland and drive manufacturing growth. We can potentially become a net exporter of energy and then export that capability globally.

**Claire Hanna:** That is really interesting.

Q121 **Chair:** I just have a final observation. Thinking about current Government schemes, we have referenced city deals and we have NDNA. How significantly could they improve the infrastructure of Northern



## HOUSE OF COMMONS

Ireland?

**Mark Huddleston:** When you say “infrastructure”, do you mean in its entirety?

**Chair:** Yes, the physical infrastructure.

**Mark Huddleston:** The big challenge is the proliferation and the means of engagement for manufacturers. There is a real opportunity from all of these, if we can deliver on them quickly and in a targeted manner. As one person put it to the Makers Alliance in a meeting recently, in Northern Ireland we are very good at saying yes to certain activities but then failing to say no to the others. We do not focus on certain things, and we end up with everybody thinking that they are moving forward, when in reality only a couple are moving forward and we lose momentum.

We have 97 innovation interventions in Northern Ireland at the moment. For a small place, that is far too many. We have cross-border and InterTrade type activity through to UKRI, east-west activity and then everything local through the FE colleges, Invest NI, the universities etc. It is far too much. We need to simplify that network and that structure. The same can be applied to skills, where there are hundreds of interventions. In doing that, we create the opportunity to drive things forward.

We then need to look at how—let us call it a “team NI” approach—we engage with today’s levelling-up outcomes, how we use strength in places and other activity, and how we ensure the catapult network is fully engaged, not just elements of it, in Northern Ireland. The nanotech corridor between the north-west and Belfast is an example of how that can deliver and how it is having an impact straightaway.

More of that is essential. As Peter said, that is not about huge levels of additional funding; it is about utilising the funding we have. There is a challenge still to be addressed around the sustainability of city deals. A lot of us would like to understand how the £400 million that is sitting in the NIO can be used actively and urgently to deliver for manufacturers.

Q122 **Chair:** Governments of all stripes and at all levels often think that the doing of something is making the announcement. It is a “job done, box ticked” sort of thing. Would you welcome an audit? How much money is sloshing round in all sorts of pots and all sorts of initiatives? How much bang is being delivered for each individual buck? How can we streamline things and get a better focus, rather than having new initiative after new initiative, with very little audit trail or assessment of value for money, efficacy, desirability and so on?

**Peter Cunningham:** I am going to use an analogy here that is quite appropriate. There is a book written by a guy called John Doerr and he talks about what are called OKRs—objective and key results. It is a book called *Measure What Matters*. He was the main guy who invested in Google and was at the centre of the growth of Google. To this day, they



## HOUSE OF COMMONS

still using OKRs. They are now at the centre of the tech business across Silicon Valley. OKRs are what they use, and we use them as our mantra in how we run our business. I believe the same philosophy should be used here in Northern Ireland.

At the very centre of it, it is about focus. It is about being able to say no to things. You work out what your key priorities are; you say no to other things; you measure the things that you are focused on; you measure what matters and you ignore everything else. This is a very classic case here. Anybody involved in this thing needs to take that book, read it, understand it and say, "This is a classic case of trying to do too much and not measuring the outputs." Making statements is the objective; the key results and measurements are the outputs.

In Northern Ireland, we are good at making the statements. We are terrible at measuring whether we are on track and correcting that along the way. We absolutely need to look at where the pots of money are and whether they are being effective. Without that, it is scandalous. In many ways, leaning out of this process would be the best thing for everyone involved. Nothing creates success like success. Once people see and feel the fact that some things are being successful, it creates its own momentum. The opposite of momentum is inertia, and what we have now in Northern Ireland is lots and lots of inertia.

It is like Alexander and the Gordian knot. Somebody has to take their sword out, cut it in half and find the centre of it. That is what we are faced with right now. We need to have simple priorities, to measure what matters, to make hard decisions and then to ignore the rhetoric around the rest of it. The courage is not saying yes to things. The courage and the leadership come in saying no to things.

**Mark Huddleston:** The only thing that I would add to what Peter has said is that we need to be more outward-looking. By becoming more outward-looking, we will embrace some of those risks and opportunities.

Secondly, I would emphasise what Peter has said. As a society, we have apparently committed to an outcomes-based approach to Government. This Executive have not delivered an outcomes-based approach. If we are going to embrace that, we need to do what Peter has said and measure the right things. We have talked about jobs created and the programme for Government talks about good work. We now need to measure good work and not the number of jobs created. It is not about an opportunity for somebody to stand beside somebody else and say, "We have created 40 jobs today based on this amount of support." It is about actually making a difference in our community and saying, "That investment is now delivering this for Northern Ireland."

**Peter Cunningham:** Just to add to what Mark has said, if you look at any strategy or any expansion done by any business leader, it starts with the vision. What is the vision for the business? Out of that comes a



## HOUSE OF COMMONS

strategy, and then out of that come your OKRs. It is the 20-mile march. How are you going to get there? Then you measure that.

If you take it from a military standpoint, the first thing they teach you at Sandhurst is “in order to”—“In order to get there, this is what we need to do”. In Northern Ireland, we do not have a clear vision. Therefore, the people underneath do not understand the “in order to”. The reason I am delighted to be invited here today is that you guys have a very difficult and challenging role to try to undo a lot of the problems of the past. Once the clear vision is set, the strategy will fall out of that reasonably quickly. Out of that will come a series of objectives and key results that can be measured. That is the thing, because people will see success.

The comforting thing here is that it will actually require less money. To finish this point, if I were the UK taxpayer looking at Northern Ireland, the block grant is the cost of peace here. When trouble flares up, they throw some money at Northern Ireland to keep it quiet, and that is it. With Brexit, whether you are pro-Brexit or not, the £10 billion block grant that is coming is untenable and unsustainable for the UK taxpayer going forward. Therefore, Northern Ireland must become self-sufficient, certainly over my lifetime. If not, the people who will pay the price are my children and children like mine.

Ultimately, being a child of the Troubles, we could end up going back to that time. The thing that creates prosperity and hope in Northern Ireland is jobs, but we need the right types of jobs. If we do not have this coordinated type of thinking and approach, that hope turns to despair. That is when the trouble starts; that is when people start blaming each other; and that is when we get the Troubles of the past. Politically, that is where we could be headed.

This is much more than jobs; this is much more than just the block grant. This is about Northern Ireland’s very future as an entity. I believe this is a very serious topic but also one that can be solved quite quickly.

**Chair:** On behalf of the Committee, thank you both, gentlemen, not just for your time but how you filled it. You have given us a huge amount of thought, information and some very good ideas to take back, which we will doubtless feed into our report in due course. Thank you very much indeed.