



Northern Ireland Affairs Committee

Oral evidence: [Northern Ireland and the EU Referendum](#), HC 760

Wednesday 24 February 2016

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Members present: Mr Laurence Robertson (Chair); Oliver Colvile; Mr Nigel Evans; Mr Stephen Hepburn; Lady Hermon; Kate Hoey; Danny Kinahan; Jack Lopresti; Dr Alasdair McDonnell; Gavin Robinson.

Questions 165-228

Witnesses: **Wilfred Mitchell OBE**, Policy Chairman, Federation of Small Businesses, Northern Ireland branch, **Roger Pollen**, Head of External Affairs, Federation of Small Businesses, Northern Ireland branch, and **Patricia O'Hagan MBE**, Chief Executive Officer, Core Systems Ltd, gave evidence.

Q165 Chair: Thank you very much very much for joining us. You are aware of the inquiry we are carrying out so I will not go into a long introduction, but thank you very much. I understand you do not wish to make opening statements, but it might be useful if you could very briefly introduce yourselves and tell us your role within your organisation. Thank you—ladies first.

Patricia O'Hagan: My name is Patricia O'Hagan and I am a member of the FSB, and I have a small software company in Belfast.

Wilfred Mitchell: I am Wilfred Mitchell. I am the director of the FSB and policy chairman for Northern Ireland.

Roger Pollen: I am Roger Pollen. I am head of external affairs for the FSB in Northern Ireland.

Q166 Chair: We have had quite a lot of activity over the last few days with regard to the referendum. How do your members view what is going on? Are they alarmed in any way, or hopeful? How do they view it? I know you are not taking an official position, but what is the talk that you are having?

Wilfred Mitchell: If you just allow me to set the scene, I might incorporate some of the questions.



Chair: Briefly then.

Wilfred Mitchell: Thank you very much for the opportunity. Politically, the FSB takes a neutral position, because this is at the heart of the constitution for the FSB; I think you might have seen some of that material. We take the position of advising our members how to vote. We need to make that clear from the start, because in the past we have been asked clearly what our political position is with regard to remaining in or leaving. Last year the FSB undertook a comprehensive study of its members' views and we published a report on this. You might have some of that but, in case you do not, we were the first business organisation to carry out an extensive piece of research on the subject using both quantitative and qualitative data. We received responses from 6,263 of our members. That is quite significant.

The research was a temperature check on what the FSB members think about the UK's membership of the EU and how a vote to leave or remain in the EU is perceived to impact upon their businesses. The in-depth study examined the FSB members' voting intentions, alongside small businesses' views of EU reform. It provided a unique insight into regional and national voting preferences. This unique report was based on robust and representative research with strong FSB member engagement. It received, as I said, 6,263 survey responses and over 1,300 individual members' comments online with the discussion forum. This dual research approach allowed the complex and sometimes emotive issues at the heart of what FSB members feel about the European Union to be explored in detail. The FSB role is to ensure the small business voice is heard in the discussion and that its members have all the informative information they need to make a decision that is right for them and their businesses.

The FSB members want measures to boost cross-border trade and economic growth; the completion of the single market; simplification of VAT; a smarter approach to relegation; protection of the opt-out under the working time directive; a drive to improve EU competitiveness and place small businesses at the heart of reform; and practical and impartial evidence on the impact on their businesses of remaining within or leaving the EU. Taking the UK as a whole, our research showed that 47% of our members, which is part of your earlier question, lean towards voting to remain in the EU. Almost 41% lean towards voting to leave. However, about one in 10 FSB members are still undecided. Therefore much could change before polling day. Looking next at the devolved countries, 49.4% of our members in Wales lean towards voting to remain in the EU, with 38.6% leaning towards voting to leave. In Scotland, 60% of our members lean towards voting to remain, with less than 26% leaning towards voting to leave. In Northern Ireland, 54.2% lean towards remaining and 31.3% lean towards voting to leave. I think that answers some of the questions.

Some people have tried to insist that business is overwhelmingly pro-Europe, and it is over-simplistic to describe business as a single cohesive block. In Northern Ireland, there are around 100,000 small businesses and they employ more people than all of our large businesses and our entire public sector put together. Therefore, they are a large section of our society, so it is not surprising that small businesses hold a wide range of views similar to those held by the general population.

With regard to what our firms' current position is, there is a shared message that small businesses feel they lack clear, impartial information on which to form their own views.

Our goal must be to ensure that small business voices are heard in the discussion and that our members have all the information they need to make a decision that is right for them and their business.

Due to the significant proportions of each side of the debate, we invited Patricia here to speak from the perspective of her own businesses and to illustrate one direction of thinking, which is remaining in the EU. We hoped to have another member join us to outline their views on the other side, which is leaving. However, they were unable to make it, so Roger will share some of the issues they have highlighted to us. If it is okay with you, Chair, I'd ask Patricia to share a few of her observations with regard to remaining.

Q167 Chair: Yes. At this point we want a general feel for your membership; we certainly can take detailed analysis in a minute. Looking at Northern Ireland specifically, what percentage of small businesses are members of your group?

Roger Pollen: There are between 6,000 and 7,000 members in Northern Ireland. However, it is the business owner who joins as a member and not the business. A lot of our members would own multiple businesses. Therefore, it is difficult to quantify that as it is not something that we ask. When they join they may be a one-person operation and 20 years later they could be running five companies. We do not return to ask them about that, so it is difficult to say, but I would say it is a substantial proportion.

Wilfred Mitchell: And their membership fees—

Q168 Chair: What percentage of your members responded to your survey?

Roger Pollen: Across the UK we have had 6,250, approximately. It was proportionate in all parts of the UK. Off the top of my head, there were between 100 and 200 responses from Northern Ireland.

Q169 Chair: What percentage of your membership responded in total?

Roger Pollen: That is probably a 3% response rate.

Q170 Chair: Three?

Roger Pollen: I think so, across the UK. Out of approximately 180,000 members across the UK, approximately 6,000 responding would be about a 3% rate.

Q171 Chair: Why were there so few responses?

Roger Pollen: If you look at other people's response rates, that is regarded as a substantial and very statistically reliable sample size in any survey.

Q172 Kate Hoey: When did you send the questionnaire out?

Roger Pollen: That survey was sent out last summer.

Kate Hoey: You might find if you were doing another one now there would be a lot more.

Roger Pollen: It was completed in autumn last year, and that was really to give us a baseline of what people were thinking at that time and what they were looking for—how well informed they felt on the debate. It is quite interesting to see that a lot of people felt they were not informed. They still had a view as to which way they felt might be beneficial for their business. However, they were clear that they knew they did not have all of the facts or anything like all of the facts.

That is part of why we wanted to bring Patricia along to illustrate this. She has an instinctive feel for what is good for her business but she is also clear that there are lots of things we need to test and to ask. In some ways it is harder on the vote-to-leave side, because they are projections and extrapolations. On the other hand, with the vote to remain, you are dealing with a constant, so people can know what might be there. That is why the need has arisen to test all of the claims that are being made and to challenge both campaigns to set out as much as they can in the way of facts in order to inform the debate.

Q173 Chair: Just before we take questions from Members, Ms O’Hagan, would you mind giving us a very brief view? Following this, we can perhaps come back with questions on what you have said and what the other panellists have said.

Patricia O’Hagan: In my personal opinion, in relation to my own business, which is a software company, we export around the world. We are a 99% export company. We export to the US, Europe and Australia. Europe represents about 8%.

Q174 Kate Hoey: Sorry, do you mean the EU, not Europe itself?

Patricia O’Hagan: Yes, I mean the EU. That represents about 8% of our business now; it is a big feature of our growth plans over the next five years. I would anticipate within about five years it should be about 50% of our business. It is very important to our growth that we can do business effectively in the EU. One of the issues that I would have concerns about is our ability to compete against other EU companies in that environment.

Our product is sold to the Government; we service the criminal justice sector. We are engaging with Governments, so public procurement is the method by which we do business. In my experience, public procurement in other countries has a large overhead; there is a lot of bureaucracy and cost for a small business to do that. Public procurement is relatively simple within the EU; there is less cost involved and it favours small businesses more. It would be beneficial for us if that was the landscape in which we could deal going forward. I would not like that to get any worse than it currently is.

Another issue for us is the movement of labour. We have skills deficits in the IT industry. Some are around specific technical skills and some are about management-level experience. Currently, we employ people from the Republic of Ireland; half our current management team comes from there. We also recruit from other EU countries. We have employed people from Poland, Lithuania and other countries. If that became more

difficult for us, I would have concerns about being able to get the skills that we need to operate our business effectively.

Another big concern for us is access to funding. I feel the uncertainty around this debate, and how that uncertainty may play out if there was a decision to exit, could lead to an extended period of uncertainty. Funding in our sector mainly comes from equity investment, mergers and acquisitions, often from outside the EU. I feel that would send a negative message. In some way, we would have a lesser opportunity compared with people in the Republic of Ireland in respect of attracting that sort of investment.

Q175 Chair: Is it correct that most of your exports go beyond the EU?

Patricia O'Hagan: Yes, at this point in time.

Q176 Chair: What sort of trade deals has the EU got with those other countries that you export to?

Patricia O'Hagan: I do not know the exact details. Certainly I do not know the details around Australia, but I know there is a trade agreement that is being negotiated at the moment with the United States. I am not quite sure how that will play out.

Q177 Kate Hoey: Are you saying, if we were not in the EU, you would not be able to sell to the United States?

Patricia O'Hagan: No, I am not saying that. I am just answering the question.

Q178 Chair: One of the fears expressed is about what kind of deal we would get with the EU if we came out, but a lot of countries across the world have a deal, or else you would not be able to export to them, would you?

Patricia O'Hagan: Yes, that is right.

Q179 Lady Hermon: It is very good of you all to come so early on a Wednesday morning. Thank you very much; it is good to see you here. I just have a few questions and then we will move round my colleagues. You explained that the survey was carried out last summer. A lot has changed since then. We have a date that is fixed for the EU referendum; it is going to be June. Do you have another survey of your members in mind, to find out whether their views have hardened? Alternatively, are you intending to educate your members, in the broadest sense? You indicated there was a great degree of uncertainty as to what the consequences would be.

Roger Pollen: Thank you for the question, Lady Hermon. The survey we undertook was very extensive. It took a long time to get it out, to promote it and to ensure that it was widely understood and to bring the results back and interrogate them. We will not be repeating that exercise as we now have quite a short time period. Most of our effort will now be focused on events and other ways of trying to get the answers to the questions that

continue to be raised by members who have not necessarily expressed an opinion on which side of the debate they are on but just want more facts. We will not be undertaking a survey of that scale or sort again. However, we will be undertaking events and other promotions to get information into the debate.

Q180 Lady Hermon: Regarding those events and promotions, presumably some of them will be held in Northern Ireland, or are you talking exclusively about events in Northern Ireland?

Roger Pollen: From our perspective, we are all interested in Northern Ireland. The first one we are expecting to be promoting will be in early April, in about five weeks' time. This is with a view to having protagonists from both sides of the argument coming on and setting out their stall. We want to see just how we can test the claims of both sides and ensure that it is not just opinion and that there is a hard underpinning of fact to any claims that members then rely on.

Q181 Lady Hermon: Regarding the protagonists on both sides, will these be national figures and readily identifiable figures?

Roger Pollen: Yes.

Q182 Lady Hermon: Do you have a hit list of people you are going to invite to Northern Ireland to speak, or are you just going to have the Secretary of State for Northern Ireland?

Roger Pollen: No. We are literally in the process; we were working on it last night as we came here. We are in the position to say, "Yes, the event is happening in early April." However, we are still putting it together. I am sure you can understand that lots of people are looking around to get quality speakers from both sides of the debate to come to events. We have the date, we have some of the speakers in place and we have a number of others being invited to try to make sure we have a quality panel for that.

Wilfred Mitchell: The FSB represents such a broad sector, and it depends on where you are exporting. That is why I was just wondering whether Roger could be given the opportunity now just to speak about leaving, to give what the views would be, and it might give the balance. That is what we are about: informing our members.

Lady Hermon: I wonder if I could just finish the questions.

Chair: Let us carry on with the questions. We will come to that.

Q183 Lady Hermon: There will be an opportunity to do that, I am sure. As you represent members in Northern Ireland, could you just discuss and outline in some detail, for the Committee and the benefit of those who are watching at home, the amount of trade with small businesses between Northern Ireland and the Republic of Ireland? Patricia, do you do much business into the Republic of Ireland?

Patricia O'Hagan: Not with my current company, but with a previous company it represented about 30% of our business.



Q184 Lady Hermon: Would you mind if I ask what your previous company was?

Patricia O'Hagan: It was also a software company, but it was more service-based and project-based.

Q185 Lady Hermon: Yes. What about in terms of other companies, Roger?

Roger Pollen: Our information suggests that 34% of Northern Ireland trade is with the Republic and a further 21% is with the rest of the EU. We do not have specific data on the extent of trading by FSB members across the border, but anecdote would suggest that it is significant. However, this is not a question we have had to ask in the past, so I cannot give you detail on it at this stage.

Q186 Lady Hermon: I am coming back to Patricia. You mentioned the degree of uncertainty surrounding the outcome of the referendum; nobody has a crystal ball, so we cannot tell. Do you find that your business is already affected by that?

Patricia O'Hagan: I am not sure, because we would be seeking funding in the future and I have not had conversations with people who would be potential funders in order to sense-check their view on the situation and whether it would be less attractive to them to invest in a company in Northern Ireland.

Q187 Lady Hermon: I do not mean this to be a personal question, but you have identified that you have staff from Poland and other EU member countries. Have those particular members of staff—obviously I do not want you to name them—indicated to you their concerns regarding the implications for them if the UK were to withdraw from the EU?

Patricia O'Hagan: They have not indicated a concern yet. We have recently started to talk about that, and I think they had not even considered it. They did not consider that there was a chance that their life could be changed as a result. I would say people have not really fully considered what might happen.

Q188 Gavin Robinson: Good morning to all three of you. Thank you for coming. Roger, would you be able to tell us how many of your members in Northern Ireland are exporters?

Roger Pollen: We did ask that question in a survey about 18 months ago, and 24% of the respondents said that they currently export goods or services. Of those 24%, 76% export to the European economic area. This includes the Republic. However, I do not have it stripped out as just to the Republic. Additionally 21% export to other European areas.

Q189 Gavin Robinson: There has been general discourse around whether business is for in or out, and Wilfred said fairly that it was overly simplistic to say business is entirely pro-European. The discussion has fallen to two sides: big business, corporate business and publicly listed companies are pro-EU, because they have the resources to engage effectively



and get benefits from the European Union, whereas smaller business—small to medium-sized enterprises—are more likely to find flaws and difficulties with that process. Is that a fair summary, Roger? Do you think it is more nuanced than that still? For example, one of the big organisations, Business for Britain, has 750 SMEs that are currently campaigning to leave.

Roger Pollen: Again, these are the sorts of facts that we are trying to establish. Big businesses, by the nature of them, tend to operate in more territories. This is cause and effect; they are big because they operate in more territories. With regard to small businesses, it is more difficult to identify, as a lot of them may be in the supply chain and may be affected by markets that are also enriched by big businesses. Wilfred's point that business is not a cohesive block is a very true statement. We need to be careful about anybody claiming to represent the views of businesses and saying, "Businesses say X, Y or Z," because business is just like society.

We did a piece of research on the labour force last year with the Ulster University Business School. This identified that in Northern Ireland, small businesses employ more people than all big businesses and the public sector put together. That is a huge impact and they are operating all across Northern Ireland. Therefore, they will have lots of impacts on them from outside Northern Ireland, even if they feel themselves just to be trading within Northern Ireland. We would need to frame the question very carefully to understand what answers we were getting and how to weigh those in the balance of what we are trying to establish.

Q190 Gavin Robinson: Do you have an early perception? For example, for big businesses it is good and for small businesses it is bad, or is that not nuanced enough?

Roger Pollen: It is not nuanced enough, simply because we found our members were asking for a lot more information. They were roughly dividing into two substantial camps; in some places there was a majority and in others it was just under 50%. There were two big camps of people who were broadly in favour of staying and broadly in favour of leaving, but a substantial proportion acknowledged they needed more information before they could make that decision on a factual basis, rather than on an instinctive or personal basis.

Q191 Gavin Robinson: Thank you very much. Ms O'Hagan, how long has your company been trading?

Patricia O'Hagan: Since 1998.

Q192 Gavin Robinson: Is that the current company that you are operating?

Patricia O'Hagan: It has carried the brand through since that original company. We have created other companies on the way and separated those out.



Q193 Gavin Robinson: If you do not mind, can I probe the proportions of your exports a little further? You indicated you are a 99% export business, with 8% of that 99% going to the European economic area, and the rest to the US and Australia. Is that right?

Patricia O'Hagan: Yes.

Q194 Gavin Robinson: You have indicated how you see Europe as fertile ground and you benefit from that relationship. Would it not be the reverse? If the relationship was so good, you would have succeeded in Europe more so than in countries with which there is not a current trade deal with the European Union?

Patricia O'Hagan: Yes. The current product suite we offer is what is termed as early market stage. It has been released into the market within the last three years, and so many Governments are not even aware that type of technology is available yet. However, the evidence that I have for that growth is that a number of EU countries are preparing RFPs for procurement in this technology area.

Q195 Gavin Robinson: Yes, but you have been able to succeed in other countries with which there is not a trade deal—much more successfully thus far.

Patricia O'Hagan: It is more to do with the stage of the market and the adoption of the technology; other countries were perhaps more progressive and adopted the technology earlier.

Q196 Gavin Robinson: Was there a language reflection in your engagement with Australia and the United States, with it being easier to engage in business with folk who share the English language?

Patricia O'Hagan: I do not think it is an issue, because we have people with language skills within our own company. We often engage with people within the market who have those language skills. We have worked out a way to deal with those issues. Our product is multilingual. It was designed on that basis from the outset.

Q197 Gavin Robinson: True, but the point remains you have been more successful in English-speaking countries with which there are not trade deals than in European countries with which there are.

Patricia O'Hagan: Not necessarily. I find that doing business with some of the Nordic countries has been relatively easy compared with other countries.

Q198 Gavin Robinson: Is that Norway, outside of the EU?

Patricia O'Hagan: Sorry, not Norway but Denmark.

Q199 Gavin Robinson: Is it Denmark and Norway? When you say Nordic countries, do you only trade with one?

Patricia O'Hagan: At the moment, yes.

Q200 Gavin Robinson: Thank you for that. You mentioned investment and seeking sources of funding. Where would your first port of call be for that?

Patricia O'Hagan: Probably North America.

Q201 Gavin Robinson: That is private investment. For public investment, would it be Invest Northern Ireland, DETI or the European Commission?

Patricia O'Hagan: It depends on the purpose of the investment. We have taken advantage of R and D funding from Invest Northern Ireland, so that would be our first point of call.

Q202 Gavin Robinson: I would suggest to you we should have a unique arrangement with the United States of America. That sounds like it would be very useful for your company, if your investment is going to come from North America and the majority of your trade is with North America. Is that fair to say?

Patricia O'Hagan: At this point in time.

Q203 Chair: Before we bring other Members in, it might be useful, Mr Pollen, to give you the opportunity—which I should have done at the beginning—to very briefly put forward the other side of the argument.

Roger Pollen: I will be very brief. Thank you, Chairman. We very much welcome this inquiry and we are trying to reflect what our members are telling us. We are not here to defend or set out our positions. We want to try to glean some of the issues. These are gleaned from a member who is supportive of leaving the EU.

He asserted that by leaving the EU, numerous restrictions on the ability of the UK Government and the devolved Administrations to assist their economies would be swept away. Interventions that are currently prohibited as state aid could be enacted. Most notable and relevant for us among those is that the reduction of corporation tax would not have needed to comply with the Azores ruling. It would mean that the UK Government could have introduced, or could introduce, a lower rate without it necessarily having to be top sliced off the block grant. Obviously that would be a decision for the Treasury and for Westminster. However, at least it would be a decision made within the United Kingdom, looking at the parts of it that are not performing as strongly as other parts. It would have that regional intervention capacity.

The same would apply to regional adjustments to air passenger duty, which could be done simply by the UK Government deciding where it wants to intervene to assist areas. Similarly, without state aid restrictions, the UK could identify areas and regions where alternative interventions could be made, going to Mr Robinson's point, such as through Invest Northern Ireland, which could give out grants as allowed by Stormont rather than by Brussels. That would enable us better to compete with the Republic, on our doorstep.



The same member also proposed that if we moved away from the current common agricultural policy system, agriculture could be funded in a way that promoted increased efficiencies based on local needs rather than on a basic payment scheme. That member also asserted that an agreement would rapidly be reached on trade with the Republic, as the UK is such a hugely important customer for them. He felt that was an illustration that certain markets would respond really quickly in their own interests. That would probably be followed by other markets such as Germany, where there is a strong interest in having access to the UK as a market. There would be an obvious imperative for the Republic to do a trade deal and for Germany to follow, and he felt that our trade deficit with Europe would mean that other deals would inevitably follow. He is looking at it from the point of view of a pragmatic businessperson and feels that it is in people's interests, so it will happen.

That member also asserted that protectionism is rife across the EU, with different interpretations of directives in each country. He has experienced that with his own company. He cites the example—to try to give a concrete one—of pharmacies in many EU countries, which have a monopoly control over which products can be sold and where, even those that are non-prescription. This makes distribution expensive and increases the cost to consumers as a result.

That is just trying to give a quick flavour of somebody who is not in favour of remaining and sees that there are advantages of being outside, both for Northern Ireland and for his type of business.

Lady Hermon: Was that one member's views?

Q204 Chair: One member. One question from me: when you talk about trade, a lot of Northern Ireland businesses would trade a significant proportion of their exports with the Republic of Ireland. Is it not true that that could not be viewed as one market and that those would be seen as exports to the EU in future, if we came out? In other words, the Republic of Ireland and the UK could not do their own trade deal.

Roger Pollen: That is the perfect illustration of the sort of question members will want to have answers to, because they genuinely do not know. We would pose the question to you: could we do a trade deal?

Lady Hermon: No.

Q205 Chair: The UK could do one with the EU but the UK could not do one with Ireland or with Germany or France on its own. It would have to be the whole lot.

Wilfred Mitchell: The experience could be similar to Sweden or Norway with regard to the border. There does not seem to be a difficulty there.

Lady Hermon: That would be in conflict with the evidence the Committee has taken from the Irish Ambassador.

Chair: You are saying anything is possible.

Q206 Oliver Colvile: First of all, thank you very much indeed for coming to see us. You will be delighted to know that I am also a member of the Federation of Small Businesses, though obviously not in Northern Ireland but here in England. To what extent do you think that coming out of the European Union would discourage or stop any kind of foreign investment into Northern Ireland?

Roger Pollen: Could I suggest Patricia goes first on this? She is someone who is probably bringing investment to Northern Ireland.

Patricia O'Hagan: Obviously I do not know the answer; I do not have the definitive answer. However, I know that one of the propositions that is made to other countries is that by investing in Northern Ireland as a member state of the EU, it would be a gateway into the European market. If we were not part of the EU, that would be somewhat abstracted and there would be uncertainty about what that meant. Therefore, we would maybe have the perception that a potential investor would also consider Dublin as an alternative. With less uncertainty, they may make that choice rather than Belfast.

Wilfred Mitchell: Traditionally, we have lost out to inward investment to the south for quite a few years. That will be enhanced slightly.

Roger Pollen: Again going back to surveys, which we deal in as much as we can, when we surveyed our members last year, they cited political instability as the biggest concern for them and their businesses. At that time, there was political instability in the Northern Ireland Assembly that was causing them concern. Wherever that instability or uncertainty comes from, it causes concern. Again, we are extrapolating into what people's intentions are, because wherever you disrupt a market there is obviously opportunity as well.

Q207 Oliver Colvile: In my constituency down in the south-west, I have a boat builder. They are very concerned because they try to sell into South America and they cannot do so because they have to pay a 15% premium. They are very concerned that if we were outside the European Union, they would find that the French and maybe the Greek boat builders would be interested in looking after their own businesses. This would result in them putting up the surcharges and they would end up having to pay more money. Has anybody in your membership talked about those kinds of issues—how there is real concern about the potential of having to pay more money?

Roger Pollen: Anecdotally, yes. This comes back to the point about uncertainty. To a certain extent, in looking to remain you are dealing with a largely known quantity. If you are looking to leave, there is uncertainty. At this stage, it is not yet clear who can give definitive answers to those questions, because the work has not yet been carried out and it will not be carried out in abstract. Therefore, it is a question that is raised and one that will be very difficult to get answers to before people have to make their decisions.

Q208 Oliver Colvile: The final question I have for you is that, if we were to withdraw, we would therefore be outside the free movement of people syndrome, so we could build links. If southern Ireland were to join the Schengen Agreement, would we suddenly find ourselves having to provide a firm border between us and southern Ireland? Would that have an impact

upon you trying to attract people into Northern Ireland to come and work for your businesses?

Roger Pollen: At this stage, there is a lot of speculation about that. I know that members of this Committee have made comments on the nature of the border and its existence, as has the Secretary of State. There are different opinions as to how that might look. However, again relating to something Patricia said, it is the ability to get access to the skills the business needs. We have hopefully got the reduced rate of corporation tax coming in 2018. In the wake of that, we have projections of up to 30,000 new jobs coming to Northern Ireland. The skills required for those probably do not exist fully in Northern Ireland, so we will require a degree of labour portability in order to service those jobs. If we grow the economy, we will need to draw in people from elsewhere, and then the questions will be: where might that be? What will be the restrictions on it and will that hamper growth or not? I am not avoiding the issue but trying to reflect what members tell us in the absence of hard fact.

Oliver Colvile: What I have learnt out of what you have just said is that it will make Northern Ireland less competitive with southern Ireland.

Q209 Dr McDonnell: Thank you all for being here at this early hour. I just want to reflect on a few points that have been made. Juggling with the percentages, you were telling us that 76% of 24%, which would be about 18% of your members, would be involved in export.

Roger Pollen: According to surveys, 24% said they currently export goods and services and, of that 24%, 76% export to the European economic area, including the Republic.

Q210 Dr McDonnell: That would be 18% overall.

Roger Pollen: Yes.

Q211 Dr McDonnell: Those are vulnerable. Is there not a suggestion that the bulk of your members are therefore trading locally and would be relatively unimpacted whatever happens?

Roger Pollen: From my understanding, it seems like the vast proportion of businesses throughout the whole of Europe trade locally. However, to say that they would be unimpacted is to assume they are operating in a vacuum. There is a whole connected network, a supply chain and other companies bringing wealth into areas. With regards to the connected impact, it is a question that would need to be drilled down into in much more detail than just basing it on those sorts of bald statistics.

Q212 Dr McDonnell: Thank you, Roger. You are ahead of me, because that is the point I was making. If 18% are vulnerable and are actively exporting, if they do get squeezed or get into difficulties, it is inevitable that there will be a knock-on effect in supply chains.

Wilfred Mitchell: I am not necessarily answering that question, but the opposite view is that Invest Northern Ireland is trying to encourage small businesses to start exporting.



Q213 Dr McDonnell: One of the other things I wanted to pick up on was, again, I know you are reflecting some of the views from members. Much of what you are reflecting is dependent on Government money and Government grants, state aid and all the rest. Is there not a presumption in that that Governments and the Chancellor of the Exchequer will be arriving with wheelbarrows full of money? My sense over the last while has been that they might be reluctant to do that.

Roger Pollen: I think that politicians here and in Northern Ireland share FSB members' desire to see the Northern Ireland economy growing. There is a generally received view that the only way it will grow is through increased export sales or foreign direct investment. We need to bring money in from outside. One of the measures we need to grow foreign direct investment is the corporation tax cut. The other part of that is that we need to look after our indigenous businesses. The FSB's position is more than looking for financial interventions; it is getting the power of Government to remove barriers from out of the way of businesses. Regulation is cited very often as a barrier to business, whether it comes from Europe, Westminster or Stormont. A lot of businesses still see that as adding to their cost base. If we can look at the Government's role as being reducing barriers as much as trying to intervene with cash, we can get to that position of seeing more indigenous businesses growing.

Q214 Dr McDonnell: That is particularly relevant regarding the comments you have made around agriculture. I personally do not see the UK Government funding agriculture at the level of the common agricultural policy.

Wilfred Mitchell: That is why this becomes quite complex. If we were to leave, the next question would be, "What happens? Are they going to replace it?" We do not know, but if we knew the answer now, we could be more decisive.

Q215 Dr McDonnell: The other thing, and the Chair has already picked up on this, which perhaps you could comment again on, is the suggestion from your member who was unable to join us that there could be a trade deal with the Republic to protect arrangements there. The Chair has already said the trade deals would be with the EU, which is the difficulty.

Roger Pollen: This is again one of those issues; our member was putting it from a very pragmatic point of view. He felt that the UK is so important to the Republic that a deal would be done. The question is whether that could be done as things stand, or whether changes would have to be made. He felt the imperative would be so great that he was looking at it from a pragmatic point of view, rather than worrying about the legalities and the legislative issues behind it. He just felt that we are so important to that market that a deal will be found. That is a matter of opinion, and that is what I am trying to convey; it is members' opinions.

Dr McDonnell: Even if it is important and a deal is on the books, there has been a deal evolving with Canada and the EU that has been about seven or nine years in gestation. I just worry about fantasy expectations. I welcome the point you are making in terms of getting information, because the biggest challenge for all of us is to get all the facts out on the table. I worry if people create a perfect world in the space that they have assigned to themselves. I am very worried about the expectation that things will work out as we want them to. I look

forward to working with you and getting further information and teasing some of this information out for small businesses. I fully appreciate your difficulty: because you have such a wide spectrum, it would suit some and not others.

Q216 Chair: As far as I understand it, the UK would have to do a deal with the whole of the EU. Mr Mitchell, you mentioned a special arrangement between Norway and Sweden. I am not familiar with the details. Is there any more you can tell me on this?

Wilfred Mitchell: I do not know if it was a special arrangement, but there was a programme on TV interviewing both parties, and they were saying there was no impact on movement and doing business.

Q217 Kate Hoey: Thank you, all of you, for coming along. You talked a lot about the feeling of uncertainty in the survey that was done last summer. There was uncertainty about what might happen if we were to leave. Do you think your members might now be thinking more on the uncertainty of staying in terms of how the European Union has been evolving? It is a shrinking market in terms of where it is selling now. In terms of the rest of the world, it is the only bit that is not growing. We have also seen uncertainty with other aspects of the EU and that the Schengen Agreement is likely to break down. Do you think the mood might have changed in terms of uncertainty?

Roger Pollen: I am happy for Patricia to cut in on this one but, if I set the context, everything is evolving so fast that impinges on this. We have differences of opinion this morning between the Lord Chancellor and Downing Street on things that were agreed last week and interpretations of what was agreed and its enforceability. Our members are sitting looking at that. They are looking at the migration issues and refugee issues in Europe and they are looking at fairly dramatic changes in the value of sterling. All of this is causing uncertainty and, going back to the survey, uncertainty is unwelcome in business. Whether it is movement towards remaining or leaving, there is uncertainty attached to both. All we can try to do is test all of the things that we can test and the rest of it. For example, on individual trade agreements, we cannot yet test these and can only ask for opinion, as the Committee has already done and has got a very clear opinion. All of these things will have to be tested and I am sure they will evolve rapidly, probably on a daily basis throughout the course of the next four months moving towards the referendum.

Q218 Kate Hoey: I was pleased that you mentioned that it was not just about getting subsidy and money—that businesses wanted more direct support in terms of helping them. Your members are obviously aware of the £19 billion a year, £50 million a day, £350 million a week that we put in to the European Union. We get some of that back, but not necessarily how your members would like it spent. Do you think there is a bit of a false argument about this question of money and subsidy and whether, if we were to leave, the Government would continue to give subsidies?

Roger Pollen: Again, it is probably an unknown. In Northern Ireland, the agricultural economy is a much greater proportion of our economy than it is in England. We probably benefit disproportionately from the subsidy that is returned to the UK and distributed into agriculture. Were we not to be part of Europe and had more money left in our own kitty, there is no guarantee that agriculture in Northern Ireland would be as high a priority for



the UK Government as it is under the current greater settlement. We would obviously then be looking to this Committee to argue this case with Westminster and the Chancellor to show that this is one of our important industries and so they should fund it directly or not tax it as heavily. This is a way of recognising that that is an important part of that regional economy within the UK. However, again these are uncertainties. The case would need to be argued very firmly.

Wilfred Mitchell: Agriculture is probably one of the best examples to use, because we get something like £200 million or £250 million a year from Europe, with the CAP. If we were to leave, is that going to be replaced? Agriculture in Northern Ireland could not be sustained without replacing that. We do not know the answer to that, so that is why we move to the next stage where we can ask more meaningful questions. However, we are not at that stage. Each stage we move to raises additional questions that we do not know the answers to.

Q219 Kate Hoey: There are a lot of farmers who would point out that they have a much better way of supporting themselves than the subsidy that they get and who have views on how agriculture could be supported without it coming in the way that it does. Do you not think that there might be a better chance if we had the money back in our own country? We could then decide, working with our farmers, how that might be spent.

Wilfred Mitchell: That is supposing that we will get the same money. We are not even sure that we will get the same money.

Q220 Gavin Robinson: We would get more. There would be more resource returned to the United Kingdom.

Chair: The point is nobody knows, and when you say we move to the next stage, I am not sure there can be the next stage.

Wilfred Mitchell: Yes, it is too late.

Chair: The Vote Leave campaign, for example, cannot give a guarantee.

Kate Hoey: At least it would be our own Government making those decisions and not Brussels.

Wilfred Mitchell: You are taking back ownership of decision-making.

Q221 Kate Hoey: One final thing on regulation: are there any particular regulations that small business feels very strongly about, either coming from the EU or our own Government?

Roger Pollen: One of the issues in Northern Ireland is we are the only part of the United Kingdom, as far as I am aware, that does not have a regulatory budget. We do not measure the costs of regulation that we apply to business. If we do not measure it, we cannot manage it. If we cannot manage it, we cannot use the power of Government to reduce it. That is an issue, and members are unclear as to the origins of some regulation, and there is a sense that it comes from Europe or it comes from Stormont. Westminster



probably gets off slightly lightly; I do not think members see much of it coming from here, albeit tax policy and everything else emanates from Westminster. That is what we would need to do first or would like to see done first: to at least measure it and then aim to reduce it.

Q222 Gavin Robinson: Is the provision of a regulatory budget something FSB are calling for during the Assembly election campaign?

Roger Pollen: It is; it is in our manifesto and we have a paper coming out on it next week and another one next month with more detail on how we might see a regulatory budget. It is both to do with introducing a regulatory budget and also introducing regulatory impact assessments and how you make those effectively mandatory, so that all regulation has to be subject to them. This will mean you can measure, monitor and manage it.

Q223 Chair: One of the issues that has come up is that you do seem to be calling for more information. Constituents have written to me asking me where they can get unbiased information. I am not sure I can answer that, as everybody has their own standpoint. Are you in a position to obtain any unbiased information for your members?

Wilfred Mitchell: If we present the facts as we have them, they make the decisions based on this information. We cannot do any more or make anything up.

Q224 Kate Hoey: Who provides the facts?

Wilfred Mitchell: You can go back and look at what the ripple effects could be if this happens or that happens, but we are trying to stay away from that at this stage. That is what we would need to do to answer your question.

Q225 Mr Evans: It is always said that the CBI represent large industry and they rather like the rules and regulations that come with the European Union and the protectionism that the EU affords them. On the other hand, the Institute of Directors and the FSB represent far more small to medium-sized enterprises, and they would prefer to wrestle control back to the United Kingdom Parliament. Do you find that in Northern Ireland, when you talk to the SMEs that you represent?

Roger Pollen: Often members are unclear on necessarily who is doing things to them and they are looking to whoever it is that can influence the environment in which they operate, to make it better for them. Going back to the point that there is a lot of localism in it, our members are most greatly affected by the activities within the Northern Ireland Executive, which controls most of the environment in which they work.

Q226 Mr Evans: They find it very difficult to influence anything that goes on in Brussels, whereas they have more chance or opportunity to have some impact on what happens in Northern Ireland or indeed within the UK.



Roger Pollen: It depends. I will give a quick example, if I may, Chairman. There was a roadworthiness directive coming through Brussels, and colleagues in our Brussels and London offices were looking at it and looking at the extrapolated implications of it, as it would affect members. It then came to their attention that there was a bit in it about trailers and how they would be treated. In Europe, 1% of road accidents involve trailers, and so it was suggested that an MOT-type test for trailers would be beneficial in improving these figures.

We then realised that in Northern Ireland we have a much greater agricultural economy. A lot of the implements that were trailed in Northern Ireland—cutter heads for combine harvesters, slurry spreaders and all of that—would be treated under this as trailers. They would therefore be required to be given a periodic MOT-type test, which would require a register of trailers to be established. If you are going to test it, you have to have it on a register. This was going to cost somewhere in the region of £840 million. I think our members were the ones who identified that the impact of that might be disproportionate to one sector of the economy within Northern Ireland. We used the avenues that we had through FSB in London and FSB in Brussels to make sure that those concerns were effectively set out and brought to the attention of policymakers.

Q227 Mr Evans: Do you have a list of things relating to rules and regulations from the EU that have come to light, costing millions of pounds, where you have failed to influence the EU?

Roger Pollen: I do not think we have ever failed in our efforts to represent our members.

Wilfred Mitchell: In many respects, even with this decision, Northern Ireland is like a bystander watching. We can jump up and down all we want, but the decision is not going to be made in Northern Ireland.

Q228 Lady Hermon: Do you mean the EU referendum decision? Which decision?

Wilfred Mitchell: The EU referendum: we are bystanders.

Lady Hermon: No. Everyone's vote counts, throughout the UK.

Wilfred Mitchell: Our survey reveals a clear indication from the south of England.

Chair: I understand your point. It has been a very useful session, Thank you very much indeed.