



Northern Ireland Affairs Committee

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

Tuesday 8 March 2016

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Written evidence from witnesses:

- [CBI NI](#)

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Members present: Mr Laurence Robertson (Chair); Mr Nigel Evans; Mr Stephen Hepburn; Kate Hoey; Jack Lopresti; Nigel Mills; Ian Paisley; Gavin Robinson.

Questions 525-673

Witnesses: **George Hamilton QPM**, Chief Constable, Police Service of Northern Ireland, and **Will Kerr**, Assistant Chief Constable, Police Service of Northern Ireland, gave evidence.

Q525 Chair: Okay, we will open the public session; sorry for the slight confusion about which room we were in. Thank you, gentlemen, very much for coming this morning, especially the Chief Constable in the circumstances. Thank you very much for your appearance. As you know, we are conducting an inquiry into the civil impact on Northern Ireland of Brexit. I suppose we are particularly interested in hearing from yourselves about the border issue or about any other issues you think might be relevant. It might be useful perhaps if I could just kick it off by asking you, in terms of the border, how much is there a border now, how much is it policed, what goes on there, what is your take on that aspect of the issue?

George Hamilton: Its main significance for us from a policing perspective is the fact that, clearly, either side of it you have two different systems, two different jurisdictions. Therefore, both at a Government-to-Government level and police-to-police level there needs to be strong co-operation around tackling some of the criminality, where organised criminals would seek to exploit the existence of these twin jurisdictions or these different jurisdictions either side of the border. I think that has improved significantly over the years.

Some of the initiatives coming out of the Fresh Start Agreement, for example, around tackling cross-border issues and organised crime, paramilitarism and so on, is starting to take traction. ACC Will Kerr, who is with me today, has been chairing a group with one of the deputy commissioners in An Garda Síochána at a strategic level and then it permeates



all the way down to the operational level where it matters most. That is probably significant from a policing perspective. I am not talking about the constitutional or the political issues, but from a policing perspective the border is something that we need to just be clever around, not allowing organised criminals in particular—there are some violent dissident republican groupings—to allow that to become a barrier to us pursuing them for justice.

Q526 Chair: How much is it not policed, but monitored in terms of people crossing the border—or is it not at all?

George Hamilton: If you had asked me that question 20 years ago, we would have been able to tell you that there is 190-something formal border crossing points and other informal ones and a number of them have checkpoints at them, which are staffed by police or military personnel and all of that. All that is gone. There is a degree of monitoring through joint operations with An Garda Síochána, especially around trying to tackle the terrorism threat from violent dissident republicans. There is also joint operations around the organised criminality.

There are other aspects as well, of ANPR, for example—and other elements that we wouldn't want to be talking too publicly about—around making sure that any threat posed by the existence of the border or those that would seek to exploit the existence of the border and bring harm to the communities in Northern Ireland, is tackled and that that threat is mitigated.

There is a lot of very good work that goes on right from the most senior level. I would be in regular contact with the Garda Commissioner; there is a good relationship there. The senior teams meet and that permeates its way down to, literally, officers and police stations either side of the border running rural crime operations or road safety operations together. We are currently in a pretty good place around that level of co-operation and I think the results are speaking for themselves as well.

Q527 Chair: Obviously, you are not in charge of immigration and movement of people as such, but you presumably tie in with those who are involved in border controls quite closely.

George Hamilton: We are. There are more issues for customs and so on where they lead in a number of these smuggling issues, but we do have the tactical capability, surveillance and other capabilities to support them. There is a reasonable working relationship there. Revenue and Customs in the north, their counterparts in the south and the two police services do work together around this. But from the responsibility for border control, as you put it, Chair, in that sense rests more with them in terms of the economic and the revenue issues.

Q528 Chair: Obviously, the UK and Ireland have got the common travel area but so too have the Channel Islands and the Isle of Man. Are there any security issues, from your point of view, arising from that wider common travel area?



George Hamilton: We are mindful of its existence. It does bring with it some potential vulnerabilities that we are mindful of, but in terms of border controls and security-checking in the Republic of Ireland then those are conversations that we would be having with our counterparts in the south.

But there clearly is then through the common travel area, more or less, unfettered access, certainly into Northern Ireland. While we do have a degree of monitoring and security at the ports and the airports, that is all technically constitutionally within the UK. It is perhaps not as strict as other non-UK travel into the country, so it is something that we are mindful of. It hasn't manifested itself in any great problems to date, but that may well be because we are mindful of it and we do take it into account in terms of deployment and how we interact with other agencies around border controls north and south of the border.

Q529 Mr Nigel Evans: It is said that should Brexit happen, all of a sudden a wall would be built separating Northern Ireland from the Republic. Personally, I don't see that and it wasn't like that before the United Kingdom joined the European Union. Do you envisage major changes, as far as the security on the border is concerned, should the United Kingdom leave?

George Hamilton: This takes me right to the edge of the policing agenda towards the political one. It would be up to the Government, in the event of a withdrawal from the EU, to stipulate what border controls the UK Government wanted to put in place. I think we would be secondary players in this—it would be the UK Border Force, for example, that I would assume would take the lead on that. But how stringent the UK Government chose to make their only land boundary with the EU, it would be a matter for them and then it would be up to us agencies to work out the operational deployments to achieve that, assuming it had legitimacy and was based on legislation and so on. It is not a question we would probably go into. What the co-operation, the access, the degree of control would be is a matter for the UK Government and then we would look to fulfil that, as long as it had the legitimacy of legislation and so on.

Q530 Mr Nigel Evans: The Republic is not in Schengen, so that removes a lot of the problems, as far as that is concerned. Have you, in your current policing, come across instances of illegal immigrants accessing Northern Ireland from the Republic?

George Hamilton: There is some evidence of that. I don't have figures to hand. It is not the scale of a problem that some people would portray it to be, but we certainly have evidence of people who have been illegally in the south and, therefore, illegally into the north. Indeed, there has been some evidence of human trafficking but I wouldn't want to replay it either. It is not the scale of the problem that one might anticipate.

Mr Nigel Evans: In the 10s, as opposed to in the 100s.

George Hamilton: I am not sure, I don't want to get into the figures because I don't—unless you have anything to hand, Will, to—

Will Kerr: No, nothing that I could be specific about.

George Hamilton: I would be surprised if it was the 100s.



Will Kerr: Yes, probably somewhere in between, realistically, and there is an issue about borders 224 miles long. There are 292 border crossings, and we are half the size we used to be. We have to be pragmatic enough about how effectively we could police a border if we did want to impose all these controls again, if there was a political decision to do that. We have to be realistic about this too.

Q531 Gavin Robinson: “Ask Donald Trump” is the answer.

Chair: Who is paying?

Gavin Robinson: Mexico!

Have you cast your mind, should Brexit succeed, to what aspects of the European arrangements you would like to retain and what changes you would like to pursue in any subsequent negotiation?

George Hamilton: I will maybe ask Will to comment on that. Some of the headlines around European arrest warrants—Europol, Eurojust—fit quite neatly and they have grown up as the EU has developed and we have become familiar with them. They are organisations, systems and processes that we seek to exploit and that apply, including our relationship with the Republic of Ireland. But Will would be closer to some of the practical stuff than me; he might want to give you a flavour of that.

Will Kerr: If I could start, Gavin, probably giving a sense of how crime trending is changing in Northern Ireland and how it has changed quite a bit over the last number of years, it just might help put a wee bit of perspective, I hope, around part of my answer at least. Demographics in Northern Ireland change quite a bit, as they have on the island of Ireland over the last number of years, and that has had an impact on crime trending.

There is the influence of eastern European organised crime gangs, the types of commodities that they are interested in, the profit margin of those commodities and how they operate and their relationship with other crime gangs, where some are playing out in the Dublin shootings a couple of weeks ago. That has been quite significant.

It also has had an impact on the type of crime that we are seeing: the high-harm, high-risk crime that we are seeing across Northern Ireland, for example, in drugs. Our place used to be reasonably predictable; we were low class A—years ago, our market was saturated with mostly cannabis and ecstasy and less with cocaine and heroin, but we are starting to see that market changing. We are starting to see the delivery profile into Northern Ireland changing as well with a lot more of these internet-facilitated, postal, one-stop shops that causes us significant issues and also just around people trafficking.

Probably the principal concern we have at the moment is just around the risk of cybercrime generally. The borders generally tend to be less and less relevant now when you know organised crime gangs can operate largely with impunity in China, eastern Europe or the Ivory Coast and can, very effectively, with almost call-centre organisation, extort and bribe, particularly around sexual impropriety, people in many other parts of the world.



The reason why I say all that is to give an indication about what policing needs then and that changing marketplace for policing. There are changing operational requirements that come with that, so we obviously need the quick exchange of intelligence and information, a quick exchange of biometric data, particularly in fingerprints and DNA. We need to be able to set up what EU provisions allow us to do—they are called Joint Investigation Teams—so that we can use domestic legislation if we are investigating in another host or third-party country.

Those are the sorts of things we are interested in. It is just about how we can mitigate and manage and prevent that threat upstream. Increasingly, the threat—particularly the cyber threat and the eastern European organised crime threat—needs to be stopped upstream, so we need to have that relationship with those countries.

Q532 Gavin Robinson: It sounds as if, from your perspective, freedom of movement presents a huge policing challenge for you because there has been unfettered access from Eastern European crime gangs who have changed the profile entirely of illegal drugs. In Northern Ireland, is that a fair comment or is that something you would like to qualify?

Will Kerr: Probably qualify in part, in that the numbers—it is a balance of two things, Gavin. It is a balance of both people have moved and have used that opportunity to move to exploit the criminal law in whatever country they have ended up in. Northern Ireland is no different than any other jurisdiction.

But a lot of the threats now come online and, as we have seen—and, again, I use the Dublin shootings as a perfect example—we tend to fixate, for example, on which group was responsible for which crime in Northern Ireland. But there is a big wide nexus now between organised criminality in Dublin taken into some dissident groupings. Even in those dissident groupings there are flared relationships between some of those groupings, some based on familial relationships, some based on when they were in prison together 20 years ago, some based in criminal networks. We are just starting to see those groupings expand a wee bit and the influence of particularly some of the eastern European gangs—changes the threshold for violence involved in criminality. That is the bit that worries us most.

Q533 Gavin Robinson: Okay. Just back to the original question, which was asking about your preparedness should Brexit be agreed, you look at the range of facilities available for you from a European perspective. Prüm is good because you get to share the biometric data and intelligence; European arrest warrants are good. So those are things that, should Brexit succeed, you would want to have access to.

Will Kerr: Absolutely.

Gavin Robinson: Do you have any planning at this stage or are you waiting to see the outcome before you think about the types of things you would like to retain or should be negotiated for retention, and maybe some of the things you would like to augment or change?



George Hamilton: At this stage, it is identifying the consequences and the implications, so you are identifying some of them and there are many others as well. Clearly, as we understand it and the work that we are doing, the Government would have up to a two-year window to transition. There is lots of transitioning around the policing and criminal justice world that would need to happen because we would need to collectively have entered into some sort of bilateral arrangements with regard to Prüm, Schengen, European arrest warrants and other tools available to us. Other countries have done that and are currently doing it—Switzerland and Norway, for example. It is not as if there are not work-arounds but it is clear that there would be—

Q534 Gavin Robinson: They have access to those criminal investigatory mechanisms as well, do they, not just single market? They are involved with Prüm and Europol to—

George Hamilton: Yes. To an extent, they have access to all of that. We have as well. For example, we are not taking a position on exit or not but we have very good working relationships with a number of non-EU countries at the moment—most notably the Americans, for example—around access to evidence expertise, working along with them. International letters of request are not restricted to EU countries, for example.

What we will be doing—and we will not invest too heavily in this until we see the outcome of the vote—is being intelligent and knowing what the implications and consequences are likely to be and then being able to make our representations through yourselves and others for it to mitigate any shortfall that there would be in current working relationships. All of this is probably doable with an exit but it will be much slower, complicated and more costly, is the view that we would take from a practical policing perspective, regardless of the other reasons for exit or not.

Q535 Ian Paisley: Could we start with the godfather of crime on the border—Mr Murphy, Slab Murphy? I know he was recently convicted for tax evasion but I think we all know of his involvement in serious organised crime on the border. Can you give us any idea of any role that the PSNI played in that case, in the way of cross-border assistance? Have you identified anyone who is going to be taking his place for the next 18 months while he is serving a stretch? Do you know if his empire is going to be broken up now?

Will Kerr: I will try to answer those questions as best I can. Our involvement in it was limited and it was a southern-based prosecution. It was principally a taxation-based crime—I spoke to the lady who led the investigation last Friday at the cross-border task force in Dublin and they were very pleased obviously at the successful prosecution, as were we—but we had limited involvement in it, I have to say. Any involvement we would have had in Northern Ireland would have been through HMRC as well; it would not have been through PSNI. We would have had probably some peripheral involvement or supportive involvement if they had wanted to go down and do an Executive action on the border and the farm. We always go down to support because it usually tends to be a fairly hostile operating environment as well.

The second part of your question: have we identified who is likely to continue? We have been working very closely with HMRC, with the National Crime Agency and with a range of other agencies to make sure that cross-border smuggling—cross-border fuel, tobacco



and other commodity smuggling—still is effectively tackled as it should be. It is hard to manage those issues sometimes; it is not straightforward. There has been a fuel marker introduced, I am sure you are aware, relatively recently. I am not sure it is going to be a permanent panacea into this problem—

Ian Paisley: It doesn't work.

Will Kerr: These people tend to be fairly switched on sometimes and can find to work around but it—

Ian Paisley: It is still—

Will Kerr: It is, but it is a help and we will take all the help we can get when it comes to tackling organised criminality, particularly cross-border organised criminality. One of the key features of the cross-border task force—as the Chief was saying, I went down to co-chair last Friday in Dublin—was to tackle exactly that issue: how do we make sure we keep a firm grip on cross-border crime? It stretches everything from environmental crime and illegal dumping, right through to the theft of high-value vehicles. We disrupted a gang about 18 months ago who were stealing to order high-value vehicles in Dublin; they were coming up through Northern Ireland and then ended up in the European market. A very, very effective operation. We got on to it initially through luck, I have to say, but we will take all the luck we can get and then we managed to disrupt the operation afterwards.

Who will replace him? You will understand we need to be careful about comments about portraying and identifying any individuals. Whoever is involved in cross-border crime will be the subject of ongoing close attention by a range of agencies, including the PSNI. I can give you that assurance.

Q536 Ian Paisley: If I turn then to the very specific impact of the border in terms of EU and whether or not the UK exits, are we in danger, in your view, Chief Constable, of talking up a problem that doesn't exist here in terms of arrest warrants in particular? The United States of America has several arrest warrants running with various EU nations; they are not a member of the EU and those warrants backwards and forwards seem to work quite well. Switzerland has a similar arrangement and they are outside of the EU. The point which ACC Will Kerr put his finger on earlier was about cybercrime being completely borderless. Are we in danger of talking up a problem that doesn't exist here? Are there good warrant arrangements, irrespective of what political arrangements are in place?

George Hamilton: We have been careful not to try to talk up the difficulties. What we are saying is that there will be consequences and there will be implications. Our understanding is that in the event of an exit there would be up to a two-year transitional period. We would need to get bilateral arrangements between the UK and the EU in place, other countries have done that. The current systems through Europol, Eurojust, European arrest warrants, Schengen, Prüm and all of that, have matured over the years and people are now comfortable operating within them. It doesn't mean that there can't be other bilateral arrangements. That is a matter for, ultimately, the electorate to decide if that is where we are going and then for the Government—hopefully in an informed way, with us getting the opportunity to make our representations from an operational perspective—to get the work-arounds established. But we do have something currently that is working.

I would not be too pessimistic that it can't be replaced with anything else. Some of the public commentary from within the broader policing community is about the UK becoming a safe haven for organised criminals and terrorism and all the rest of it. Personally, that is not my position but I do think that we have good criminal justice and operational policing agreements and arrangements in place across the EU that we would need to understand the implications of an exit and put alternative arrangements in place. Those alternative arrangements might not be as slick; they might be a bit clunky, cost more and take longer to do.

Looking at arrest warrants, for example, Will may have some of the detail around the timescales but they are basically a fast-tracked mechanism for extradition. But, clearly, we can still do extradition into non-EU countries and if we weren't directly able to use European arrest warrants it would have implications for us in cost and timeliness of trials and all of that. But it is not insurmountable.

Q537 Ian Paisley: Again, it is a similar issue with regards to the border crossings. You have identified there is 292 to 300 border crossings. If push came to shove, there wouldn't be an expectation on the police to patrol that border, but if you required additional support you could call in the army, given that is a national border. Is that right?

George Hamilton: We need to see, first of all, what the expectation of the Government was around the protection and the placing, in the broader sense, of this border with a country if the UK was no longer a part of the European Union. We would need to see what the ask is politically and constitutionally and then talk through what the implications are operationally. If there are resourcing implications then, of course, we would make that known.

In some ways the policing of the border will be the UK Border Force, if it came to that and, clearly, we would want to work in partnership with them and support them. There would be security implications, given some of the challenges in the border areas with the threat from violent dissident republicans. We would, I imagine, be fully engaged in it but probably not have primacy around the actual border controls, in the event that that proposition came forward.

Q538 Ian Paisley: Primacy would be with someone else and obviously there would be the expense as well.

George Hamilton: Funding is what we said is a political decision. What we would do is talk about the consequences and the implications for policing if we had to put resource towards a new function, which we are currently not doing.

Q539 Ian Paisley: Finally, without you revealing your surveillance capabilities and other expertise, a lot of faith was placed in the ANPR in terms of being able to trace people for positive as well as negative reasons. But do you want to tell us just something, what you can tell us, about the capabilities—especially with ANPR and the role it plays in detecting and undermining criminality?



George Hamilton: We would just need to tread carefully. I would be very happy to give members a private briefing on this but I think it would be playing into the hands of those that we are trying to bring to justice to give too much information in a public session such as this.

Ian Paisley: Exactly. What I want is to hear that you do have significant confidence in that system. I have received those briefings in the past from you and from your officers and certainly they are very compelling. I just want to hear something along those lines.

George Hamilton: Will might want to talk about some of the detail, but we have a significant capability and the additional security funding that came about parallel to the main grant funding through the devolved space is a very tangible piece of investment that we can point to. That has had real dividends for us and led to our being able to protect life and bring people to justice. I don't know if there is anything more that we would want to say at this public session.

Q540 Ian Paisley: Would I be right, as a civilian, to take a view that that is where the new border rests—with that capability, that technological capability, rather than what we grew with, which was a very hard and barbed-wire border?

George Hamilton: It would be wrong to say that we do surveillance by ANPR mechanisms in that way and that it is an absolutely watertight system. We have deployed it in a way that we think is intelligence-based and intelligent and it just makes sense, so the results have proven very compelling around that. The old style of border security, we would have staffed them in the decades past in a different role. How effective were they in monitoring movement across the border and stopping terrorist attacks and so on? They nearly became more a target for attack in some instances.

Whatever model, in the event of an exit, we would come up with, we would like to be giving an operational policing perspective that would be much more intelligent than simply going back to building walls and sangars and border-crossing points. There is a much cleverer way of doing this and, ultimately, it would depend on what level of control that the Government wanted to have with the bordering country where we are both reliant on each other's trade and economic wellbeing and all of that. I would imagine the UK Government would have some high-level political strategic decisions to make—in the common travel area, for example, there has been a bilateral agreement between the UK Government and the Government of the Republic of Ireland, and it isn't an EU issue. There is nothing to say that that bilateral agreement would need to go along with exit, should Brexit happen.

Ian Paisley: Right, that was very helpful, thank you.

Q541 Kate Hoey: Chief Constable, you have had a long experience of policing in Northern Ireland—both of you have. In your experience, would you say that relationships between the Northern Ireland Police Service and the Republic of Ireland Police Service is better than it has ever been?



George Hamilton: Yes, we have all come through at different levels of engagement. People have said that it has never been better than it has been before. It is certainly very good and any issues that arise are resolved from the basis of good relationships between myself and the Commissioner in a phone call on a regular basis. But I also remember as a sergeant in County Fermanagh having a very good relationship with a sergeant in Pettigo and sharing information and equipment and so on in a way that was most co-operative. I am not sure what the bosses in Dublin and Belfast would have thought of it, but it was a very sensible pragmatic relationship.

It would be wrong to paint a picture that it was—clearly, there were constitutional and political issues around extradition and terrorists and all the rest of it that played into this and it made it feel uncomfortable at times on the big stuff. But at an operational level the working relationship between the PSNI—and even the RUC before it—and An Garda Síochána has been quite a healthy positive one, and that is the police mentality. It is our job to gather evidence and lock up the bad guys. It is something that police officers have in common, certainly across the island.

Q542 Kate Hoey: Yes. If you take the political bit out of the whole of Brexit, is there any reason to think that, whatever happens on 23 June, relations between the two police forces wouldn't continue to be as co-operative, working to get the best for people on both sides of the border?

George Hamilton: What I am sure of is that the relationships are secure and we will do our very best to work within the parameters given to us constitutionally by both Governments. If the UK is going to exit then we would need to take a steer on what the expectation was and what the nature of that level of co-operation was with the rest of the EU. In some ways that is the tone and parameters to be set by the UK Government in the event of an exit.

Likewise, our colleagues in An Garda Síochána would be constrained by how their Government was positioning itself. But I am absolutely sure that the quality of the relationships and the professionalism of both organisations would not be diminished by that. It will be for the politicians to set the parameters within which we operate, and that remains an unknown for us at the moment.

Q543 Kate Hoey: A bit like the economists said to us about businesses: if both Governments want the relationship to work well and the police services of both countries want it to work well, there is no reason why Brexit would make a huge difference.

George Hamilton: I think it would make a huge difference because a formal—

Kate Hoey: But not necessarily for the worst in terms of policing and criminal justice.

George Hamilton: It would make a difference in terms of the formalities because a lot of the infrastructure—not all of it—is built on EU structures for exchange of information and so on. Sitting alongside there at a much more operational level, the informal case is based on relationships and we don't see any of that changing, but pretty good for the police to operate within the law. A lot of what that would look like would be dependent on the



formal structures that the UK Government and the Irish Government agreed or the UK Government and the rest of the EU agreed, in the event of an exit. You have this formal case that is heavily built on EU infrastructure and it would make a difference and there would be consequences and implications. I am not saying—and I don't think it is the place of the police to say—that that is a reason not to exit.

All I am saying is that I need to be open with you that there would be consequences and there would need to be work-arounds and lots of bilateral arrangements put in place that probably in the first instance would not be as slick and as effective as they currently are because they have matured over the years through the various mechanisms. But it is possible and we do have good relationships with non-EU countries at the moment; America is the best example of that—international letters of request going back and forth between ourselves and the Americans and at an operational tier good relationships between leaders of the FBI and the Police Service in Northern Ireland and other countries. We are not saying that this is impossible but it would also be wrong to say that there wouldn't be serious implications, that it wouldn't slow things down and cost a lot of money to rebuild.

Kate Hoey: It would be different.

George Hamilton: It would be different.

Q544 Kate Hoey: The police force, certainly, and the Chief Constable—none of you will be getting involved in any Project Fear, as we talk about, in terms of what would happen.

George Hamilton: I can't speak for the 44 other independent Chiefs in the UK. Clearly, through a National Police Chiefs' Council we will try to come to a position and we have done some of that in terms of previous debates on this issue. But even within that, in terms of the operational independence of the police, it operates both ways. We get on with the operational stuff and you leave us to do that but nor do we get involved in the politics. The role of senior police in this debate is about identifying the implications and the consequences, not necessarily trying to come up with an argument about jumping one way or other.

Q545 Kate Hoey: Within the privacy of this room, could I just ask you, how do you feel about people who have been here as Chief Constables in the past and then they go away and make great political statements about threats to peace processes and threats to terrorism and all that? Do you feel sometimes you wished people who had been here might just shut up?

George Hamilton: I will not talk about other people.

Kate Hoey: I am not naming any one person.

George Hamilton: I will talk about myself: seven years after I leave office, the only place I will be commentating will be on TripAdvisor.

Kate Hoey: Very sensible, thank you.



Q546 Gavin Robinson: Unless anyone else wants to come in, I just want to change tack toward the end.

Chair: Yes, we will have to wind up in a couple of minutes anyway. Everybody happy? Yes.

Gavin Robinson: I just think it would be wrong of me not to commend you after Friday's investigation on the bomb attack on a prison officer in my constituency and the difficulties you faced in Londonderry, West Belfast, East Belfast and Larne over the course of the weekend. I do want to congratulate you for all the efforts and continued efforts to keep us safe. There was a comment made by a Sinn Féin councillor member of the Policing and Community Safety Partnership that a return to violence could not be ruled out to achieve political aims. Can I ask you to comment on the disappointing tone to those comments and how, as a society, we resolutely must ensure we never return to that?

George Hamilton: First of all, I didn't hear the specific comments but taking it at face value, Gavin—what you have said, which I am very happy to do—the use of violence to pursue any political objective or agenda has proven not to work in the past. We will be resolute, along with the security service, to make sure that it doesn't work in the future. While there have been challenges in the last week—and I am grateful for your acknowledgment of the work for which the whole organisation has put their shoulder to the wheel in the last week, 10 days, to deal with a real spike in demand—we have shown that we do have the capability to take these people on with the co-operation from communities to bring people to justice.

There is a number of very active live investigations ongoing around Larne, Derry, Londonderry and indeed one in your own constituency—the attempted murder of the prison officer. We will be relentless in that and determined. I spent some time on Sunday with some of the specialists working on these investigations and it was a real encouragement to me just to see the level of dedication and motivation from our own officers in pursuing those responsible for these events and also just their ability to do the preventative stuff. But even long-time detectives and surveillance operators and all the rest of it understand and acknowledge that it is much easier for us to do this, and we are going to be much more successful in keeping people safe with the co-operation from the public. The last week has shown that. A number of the breakthroughs that we have had have been because the public have stood up to the mark and have come forward and engaged with us, and we are grateful for that.

Gavin Robinson: Thank you very much.

Chair: Thank you very much. No doubt we will catch up with you to discuss other issues very soon, but for your evidence today, thank you very much indeed.

George Hamilton: Thank you, Chair.

Examination of Witnesses

Witnesses: **Dr Joanne Stuart OBE**, Former Chairman, Institute of Directors Northern Ireland, **Ian Sheppard**, Chair, Economic Strategy Committee, Institute of Directors, **Andy**

Bagnall, Director of Campaigns, CBI, **David Gavaghan**, Chair, CBI NI, and **Judith Totten**, Chair, CBI NI Economic Affairs Network, gave evidence.

Q547 Chair: Welcome. We will kick right on, if that is okay. We have a tight time schedule. Thank you very much for joining us. We will not ask for opening statements from all of you because there are too many, but you are very welcome. Perhaps you could introduce yourselves and your organisations very briefly, please, starting at the left there.

Judith Totten: Good morning. My name is Judith Totten. I am the managing director of Upstream Working Capital, which is an independent invoice discounting business.

Chair: And you are chair of?

Judith Totten: Sorry, I am chair of the Economic Affairs Committee of the CBI, apologies.

David Gavaghan: David Gavaghan. I am here today as chair of the CBI in Northern Ireland and I also run a company called Aurora Prime Real Estate.

Andy Bagnall: My name is Andy Bagnall. I am the Director of Campaigns for the CBI. I lead our work on the UK/EU relationship.

Ian Sheppard: Good morning. My name is Ian Sheppard. I am here as chair of the Economic Strategy Committee of the IoD and I work for one of the major banks.

Dr Stuart: Hello. I am Joanne Stuart. I am former chairman of the Institute of Directors in Northern Ireland and I am the director of development at the Northern Ireland Science Park.

Q548 Chair: Thank you very much. I do not know whether one of you from each organisation wants very briefly to tell us if you have a collective view as an organisation on Brexit—whether we should go for it or not. Perhaps each of you could give us a very quick answer.

Ian Sheppard: On behalf of the IoD, the national policy is that we are neutral on the decision at this point. What we are trying to do is bring together as much information as possible to inform our members. Our membership consists of individual business leaders and directors in their own capacity rather than as an organisation for them, and we have about 800 members in Northern Ireland across the private, public and third sector.

Chair: Okay. Somebody from CBI?

Andy Bagnall: Should I field that one? We are currently consulting members at the moment post the Prime Minister's renegotiation, but we have been engaging on the issue for about three years in total. The majority of our members have consistently told us that they would support remaining in a reformed EU.

Q549 Kate Hoey: Sorry to interrupt, Chair. It says here, “Director of Campaigns, CBI”. Are you overall the UK or just Northern Ireland?

Andy Bagnall: For the UK as a whole.

Kate Hoey: So you are here representing the whole of the CBI?

Andy Bagnall: Exactly right.

Kate Hoey: You are representing Northern Ireland, are you David?

David Gavaghan: Judith and myself are representing Northern Ireland.

Kate Hoey: Andy, you are speaking now on behalf of the whole of CBI, not CBI Northern Ireland?

Andy Bagnall: Exactly right, although the views that our members have expressed to us across the UK as a whole are pretty consistently echoed throughout the regions of the UK and the devolved nations, including Northern Ireland.

David Gavaghan: That is correct.

Q550 Chair: We hear a lot about the reformed EU. Do we have it reformed since the Prime Minister came back from Brussels?

Andy Bagnall: It is a good question. We certainly felt, and we said publicly at the time, that the renegotiations the Prime Minister conducted were a big step forward when looked at from the perspective of the reform agenda that the CBI had been championing for a couple of years. Different groups will obviously assess the reform package based on different criteria, but for the CBI the kind of reforms we were looking for that would make the EU more open, more outward looking, more competitive, and ensuring that there was a balance between countries in the eurozone and countries outside the eurozone, we felt this was a step forward, yes.

Q551 Chair: What in particular did you find beneficial to the UK?

Andy Bagnall: We have published a document, which I can send to the Committee subsequently—

Kate Hoey: No, just tell us.

Andy Bagnall: —a reform assessment on the range of criteria that the CBI had set out in a big report that we published in 2013. Again, I have brought a copy with me. It is a weighty tome—“Our Global Future”. As I said, we looked for a more open EU, so extending the single market, and obviously the Council conclusions very definitely pushed forward the idea of a single market, putting emphasis on completing its services in digital. We also asked for more trade deals, so a focus on the EU being outward looking. Again, the Prime Minister’s renegotiation had a very strong focus on committing to the ambitious trade strategy that the Commission had already published.



We also wanted the EU to be more competitive. Again, we were very, very supportive of the reduction target in the regulatory burden for businesses and also the regulatory scrutiny board, which we hope will improve the way regulation is made in the first place. Judged on the kinds of things we were looking for, we felt that the Prime Minister's renegotiation took a step forward in a range of areas.

Q552 Chair: Does the IoD share that analysis?

Ian Sheppard: Nationally, the IoD's view was that the deal was probably better than expected. There was a feel that there were concrete plans to try to reduce regulation, particularly for smaller businesses.

Q553 Chair: Could you give us an example of one of the changes that will help small businesses?

Ian Sheppard: I do not have a specific example at this point.

Q554 Chair: Is it not the case that we have had a lot of waffle, basically, from politicians? When we get down to it, for example, the restriction on benefits is only for a certain period of time and that will be superseded by the living wage. When we get to specifics, it is very difficult for witnesses to give us any examples of how a small business of, let us say, 10 employees is better off now than before. If people are making these public statements, they surely should be backing it up with evidence?

Ian Sheppard: We undertook a snap survey of the Northern Ireland membership based on the announcements that came out. We polled about 750 of our members; 200 or so of those actually came back to us, so just under a 30% return, and 74% of those said based on what they knew to date that they would be supporting staying in. But a very clear line that came through was clarity of information for businesses to make an informed decision.

The IoD plans in the month of April to undertake a series of roadshows to try to explain to our members on the basis of the information we have what they should be considering in their decision making. What concerned us to date was that only approximately half our members have probably had an informed discussion within their own organisation as to what the impacts may or may not be, and our position is that more and more members need to have those discussions.

Q555 Mr Nigel Evans: Has the CBI taken view of the fact that last year and the year before 330,000 people settled in the United Kingdom? That is a net figure. Do you have any idea how many settled in Northern Ireland for the two years?

Andy Bagnall: I do not have a figure in terms of the immigration for Northern Ireland, no. In terms of the question of free movement of people generally, the CBI has always recognised that there are legitimate public concerns around migration flows—potential pressures on services, cultural impacts—but from a business perspective free movement of people is very definitely a net positive. It allows CBI members to fill skills gaps and to operate pan-European supply chains or services firms to deploy personnel into other



European countries. From a business perspective, it is certainly beneficial, notwithstanding some of those legitimate public concerns. I do not know if colleagues would want to give some practical examples.

Judith Totten: I would say that certainly, as Andy says, notwithstanding the concerns that people have regarding migration, there are a number of large businesses in Northern Ireland who do depend quite heavily on what Andy describes as pan-European skills transfer—people coming in from overseas who have specific skills for, for example, the life sciences industries, biotech, the technology industries, which I am sure Joanne will have a comment about. I think they would be concerned as to what the future looks like if they cannot have free movement of people across borders. That comes out as a consistent concern as to what it may look like if we exit Europe.

Q556 Mr Nigel Evans: Could that not be replaced if Brexit happened with a points system, which means that the skills could still be filled but the area that you would be choosing from would not just simply be the EU, but the entire world?

Judith Totten: From that perspective, the membership of CBI would comment “perhaps”—and I know that is not a yes or no answer. The issue is, which I think will be echoed several times today, that the Northern Ireland business community wants to see stability because obviously we have come through a period of instability for all sorts of well-documented reasons. They want to see consistent stability in order to trade, be that locally or overseas or whatever, and they are unsure as to what the future holds with a European exit. That obviously comes back around to the skills and the people transfer issue.

Q557 Mr Nigel Evans: You talk about stability. When you look at what is happening in countries like Greece and Spain, is that the sort of stability that you think the European Union is bringing to its members?

David Gavaghan: We are focused, from a CBI point of view in Northern Ireland, on the Northern Irish economy. Certainly, as far as the Northern Irish economy is concerned, the decision for businesspeople and the CBI is they know what is in front of us if we are a member of the EU; should we leave, then there certainly will be a degree of instability. At the moment, there is not enough certainty about what will happen in the event the UK leaves the EU.

Q558 Mr Nigel Evans: Do you think the free movement of labour depresses wages, as Sir Stuart Rose intimated the other day?

Andy Bagnall: We have certainly not seen any evidence that that is the case. Clearly, it has the positive of allowing businesses to fill skill shortages, to draw on a wider pool of talent. The public services, not least, obviously benefit from that aspect of our European membership. We have not seen any evidence that suggests that that is having a depressive effect on wages or that wages would rise subsequently to a departure.



David Gavaghan: Sorry, could I make one additional point that I think is very important from a Northern Irish perspective? There is an organisation called the Economic and Social Research Institute that has done quite a lot of detailed analysis on this. Particularly in relation to Northern Ireland, we have the prospect of corporation tax being implemented from April 2018. That was hard won with a lot of help from Westminster as well as from the Treasury having got the argument over the line.

Interestingly, the CBI were not necessarily across the UK supportive of the decision to initially implement reduced corporation tax. The key point from the ESRI is that reducing our corporation tax to 12.5% would improve our probability of attracting foreign direct investment by 80%. By exiting the EU, the analysis the ESRI has done is that the reduction in market access will reduce our attractiveness to a foreign direct investor by 80%.

Ian Paisley: That is rubbish.

David Gavaghan: That is the analysis they have done.

Chair: Order. I will bring you in in a minute, Ian.

Q559 Mr Nigel Evans: It is an interesting point that the deficit between German trade and UK trade to us is £27 billion. Could you tell me as businesspeople what is the business imperative for Angela Merkel to institute some form of trade war with the United Kingdom should we decide to have Brexit? Is there a business case for that?

Andy Bagnall: Shall I take that? I do not think there is a business case for a trade war, but there is a business case always for driving a hard bargain and for negotiating in the best interests, the national interests, of those 27 other member states in the same way one would assume the UK Government would negotiate in the best interests of the UK and try to preserve as many of the benefits of our European membership as currently exist while minimising the cost.

What I think is clear looking forward is that it is hard to see why European negotiations on the other side of the table in the event of a UK departure would offer us a package with none of the costs but all of the advantages. Across the range of aspects in terms of access, there are clearly some areas that would benefit—in your example the German economy or other member states' economies—but there are other aspects where we would have a trade surplus with them. Financial services is a good example of that. We may see a complex negotiation along different aspects, fighting a harder bargain on some sectors than for others. It is hard to see, though, at the end of that negotiation that we could get the same level of access to the European market that we currently enjoy with none of the costs, unless we—

Mr Nigel Evans: That is incredibly negative.

Andy Bagnall: —took a model such as the European Economic Area, the so-called Norwegian model, which preserves access, but then, of course, we would not address some of the concerns that those arguing to leave put forward, such as paying the bills, and obviously we would lose a degree of influence by not having a seat at the table as Members of the European Parliament, Commissioners, Council votes, in terms of



influencing some of those rules. We certainly see that none of the alternatives to EU membership stack up to give a better overall balance of benefits and disadvantages.

Q560 Mr Nigel Evans: All right—I am not too sure what negotiating skills we have had to date, to be honest, I have to tell you. Nonetheless, let us look at this one final thing, which is, as you know, that yesterday a deal was done with Turkey over the migrant issue. The fact is that Turkey this year, towards the end of June it looks likely, will get access to the Schengen area, 75 million people, and the acceleration of Turkey’s membership of the European Union. What impact do you think Turkey joining the European Union will have on Northern Ireland?

Andy Bagnall: I have not considered that issue on Northern Ireland specifically. I do not think Turkey’s accession to the Union is likely in the near future. It has been a very long time in gestation already and none of the signals to us suggest that an early accession for Turkey is likely.

Mr Nigel Evans: The signal happened last night.

Andy Bagnall: What I am saying is I have not considered the specific impact on Northern Ireland.

David Gavaghan: I think there is a much more significant issue for us in this island and that is that EU trade represents 58% of our exports in Northern Ireland. In terms of a country, the Republic of Ireland represents 36% of our exports. To me, that seems to be the most important thing to concentrate on: what would be the impact, in the event that we left the EU, between our trading relations both within the EU but specifically with the Republic of Ireland? I think that is where we need to have more clarity. Certainly, that is the IoD’s position and the CBI’s. What we want to do is to have an open-sourcing environment in which we can get down to the nitty-gritty and create as much clarity for businesspeople to understand what the proposition is.

There are two overriding factors that sit with businesspeople. One is market access as the most important issue, and the second is stability. I think in Northern Ireland I would put an even higher premium, as we discussed earlier, on the need for stability. We have to turn this country into an export-driven environment. That is the fundamental issue and we need stability in order to do that.

Q561 Mr Nigel Evans: Can I pose then finally this, which is that in 1980 the EU constituted 30% of world trade and today it is 17%?

David Gavaghan: Which date did you take?

Mr Nigel Evans: 1980.

David Gavaghan: 1980—and the world’s population in 1980 was?

Mr Nigel Evans: Yes, but irrespective of that—

David Gavaghan: No, that is pretty important. The world’s economy has completely transformed in the last nearly 40 years, completely transformed.



Mr Nigel Evans: Yes, but what I am trying to say is—

David Gavaghan: Of course there will be a reduction.

Mr Nigel Evans: You have just talked about exports being important to Northern Ireland.

David Gavaghan: Indeed.

Mr Nigel Evans: What I am talking about is the rest of the world, and we cannot do deals with the rest of the world. It has to be done through the EU. Why don't you release your businesses in Northern Ireland to get out there and get those exports?

David Gavaghan: They are already released.

Judith Totten: Our businesses in Northern Ireland are trading with the rest of the world. They are trading globally, but I think David's point was very well made. Certainly, from my perspective, the clients that I would deal with daily are largely SME business owners who are driving very hard to export and to, on the supply chain side, bring in raw material from outside of Northern Ireland and, on an export perspective, looking to drive their business growth outside of Northern Ireland.

Seventy per cent. of them are exporting to the Republic of Ireland, which for us is a really important issue that we have a land border a number of miles down the road. A lot of those clients are, therefore, concerned as to what the future looks like outside of the EU because they are looking back to what we would call the bad old days in Northern Ireland—a border and customs and all of those challenges to export. I think that is a real concern for Northern Ireland SME business owners.

Andy Bagnall: Perhaps I could add that I absolutely take the point that the OECD predictions suggest that most of global growth over the next 10 to 15 years will come from outside the OECD—these fast-growing, high-growth, emerging markets. The premise of your question suggests an either/or choice and we would dispute it is an either/or choice between growing trade, which undoubtedly we need to do, with China, India, Brazil, other fast-growing markets, and obviously building on the solid base we have of trade with our existing large markets—not least the European Union, with which currently around half our trade, 45% of exports, a bit more of imports, is conducted.

Q562 Kate Hoey: Sorry, are you talking about the UK?

Andy Bagnall: The UK as a whole, those numbers are higher.

Kate Hoey: Much less than half now, much less than 50%.

Andy Bagnall: Those numbers are higher for Northern Ireland; 58% of Northern Ireland's exports go to the European Union. We do not see it as an either/or choice between growing trade with the rest of the world and trade with Europe. We would not want to see things that make that trade harder with the European Union.



Q563 Chair: Before I come to Jack, listening to how the EU is described and how it may or may not be able to access markets, you could be forgiven for thinking it is a protectionist organisation.

Andy Bagnall: It is absolutely clear that one could trade with the EU from outside. Many countries around the world do that successfully. For us, it is about ease of access, trying to maximise that ease of access, but also, critically, influence over the rules under which the majority of our trade is conducted. Full membership of the European Union, as I touched on in the earlier answer, does give us an influence over those rules through members of the European Parliament, a seat at the Council table, and obviously a UK Commissioner.

Q564 Chair: Can you confirm, though, if a country, any country in the world, gets a trade agreement with the EU, they do not obey EU rules? They obey the rules that they have agreed in that treaty. They would not have to obey our rules; it would be whatever is agreed between the two organisations, wouldn't it? They are pursuing a trade agreement with America at the moment. America do not have to obey single market rules. They have to come to an agreement, which both sides would then have to adhere to.

Andy Bagnall: Certainly, a deal is struck but it is about the negotiating clout within that deal. The EU is a very large bloc. It is the largest by value single market in the world. It obviously has huge clout in that negotiation. Most countries signing trade deals in order to trade into the EU are adopting existing EU standards in order to sell their products inside the territory of the European Union. While it is absolutely true one does not have to sign that agreement, one does not have to follow EU rules in order to trade in in that sense, the likelihood is that in free trade agreements it is EU standards that are adopted in order to get access to the market. Currently, the UK's position in having influence over those rules and standards we find and our members tell us is beneficial.

Q565 Chair: One of the big issues at the moment with the TTIP discussions, one of the concerns being raised—and I am not saying it is necessarily my concern—is, for example, the National Health Service. If you believe the rhetoric, America is insisting on certain rules that would allow them to provide certain services and so on. The point I am trying to make is it is not all EU rules. The other side has a bargaining chip as well. The other side can say, “We are not entering into an agreement unless you agree to our terms and conditions”. It is very much a two-way thing and when Europe and the EU has such a huge trade surplus with the UK, they are going to have to be a little bit flexible as well, aren't they, particularly with regards to the Republic of Ireland?

Andy Bagnall: Your example of the TTIP I think is a really instructive one because it is two blocs of a similar size negotiating. Certainly, the United States has huge clout in the trade negotiations it conducts. Our members tell us that being part of the European Union, while it is sometimes slower to secure those trade deals, does give greater negotiating clout when sitting at the table with countries the size of continents such as the United States. Negotiating as part of the EU is very useful when negotiating with those kinds of partners.



Q566 Jack Lopresti: Can you remind me of the CBI's and the IoD's position when there was a national debate going on about whether we ought to join the single European currency, the euro? I cannot quite remember. I know the CBI were in favour of Maastricht and in favour of our joining the ERM. What were your personal views at the time if you can remember?

Andy Bagnall: It is before my time at the CBI. I was only just out of university at the time, starting my first job, so I will be honest with you: personally, I did not take a strong view one way or the other. The CBI at the time, you are correct, supported entry to the euro.

Jack Lopresti: Okay. What about the IoD?

Ian Sheppard: It is before our time involved in the IoD.

David Gavaghan: You are too young as well.

Q567 Jack Lopresti: So you have to accept the premise that you may be mistaken on our membership of the EU?

Andy Bagnall: Could I respond to that?

Jack Lopresti: Sure you can.

Andy Bagnall: When contemplating joining the euro, lots of organisations arguing for and against were looking ahead into the future, thinking about potential benefits that might be derived from that and obviously opportunities lost, as they saw it, if they did not join. I think the question now is fundamentally different. We are talking about very real, current benefits that CBI members tell us that they experience from being in the EU: that access that we have just been talking about to the marketplace of 500 million people, the attractiveness that that access adds in terms of bringing in foreign direct investment, the clout in trade deals we have been talking about. These are real benefits that people perceive now that they perceive may be at risk were we to choose to leave, and I think that is a very different question, talking about what it might be worth now, than predicting the future.

Jack Lopresti: There were very similar arguments made at the time, with respect.

Dr Stuart: Can I say from an IoD perspective that we are not lobbying for either leaving or staying in?

Jack Lopresti: Sure, I understand that.

Dr Stuart: What we are saying is that our members need more information. When we surveyed the Northern Ireland members, as we said, almost a third responded to that. Issues such as trade, free travel, skills, these are the sorts of things that have been brought up. What we are now trying to do is to bring together the balanced information and encourage those discussions at board level and within businesses so that they can understand the impact of either on their business and make their own decision based on the best decision for their business.



Ian Sheppard: Our survey would have indicated approximately two-thirds of the people who responded currently trade with the EU and just over 40% of them employ EU nationals as part of their workforce in a variety of posts. There is to date quite a bit of significant linkage between Northern Ireland businesses and the EU in terms of business trading, and that is the feedback we have. Again, the common theme coming back from our members is we need more accurate information to make an informed decision. They can understand the benefits when it is appropriate from being in because they experience it today. It is the uncertainty of what will take its place that at this point in time is influencing a lot of their decisions.

Q568 Jack Lopresti: How prepared are you? If the British people decide that they want to be a free and independent country again, with access to the world and global marketplace in our own right, how prepared are the IoD and the CBI to maximise the many opportunities that would flow from that?

Andy Bagnall: Clearly, if the British public votes to leave on 23 June there will then follow—assuming, as the Prime Minister has set out, that Article 50 would be triggered—a two-year process of renegotiation.

Jack Lopresti: Of up to two years.

Andy Bagnall: Indeed, and obviously that period, which would be quite short to negotiate the kind of continuation agreement and departure agreement that we are talking about, can only be extended by unanimity of the other 27. Assuming that period of up to two years took place, during that the CBI would certainly look to support its members—and we touched on this earlier—to maximise the opportunities that our members currently feel they derive from membership of the European Union in any continuity agreement. We would certainly support our members through that process.

Dr Stuart: Obviously, from the IoD perspective, whatever the decision is we will all make sure that we maximise that outcome. What I do have to say is that, again as Judith said, our companies are trading globally. We are not just trading within the EU, so that is not going to be something different. There may be different ways that we can approach that, but we are very much looking globally. We just need to make sure as well that we are putting a balanced view forward of what staying will mean and what leaving could mean.

Andy Bagnall: It is worth just adding one further point. The uncertainty after that two-year period of what the future relationship with the European Union may look like, the relationship with many of our other trading partners would not necessarily remain the same after a vote to depart. We are currently party to trade agreements, about 30 of them, with about 50 countries through our membership of the EU. The terms of trade with those countries where we currently have preferential trade agreements would obviously potentially change. That is an added element of uncertainty were we to vote to depart.

Jack Lopresti: All great opportunity does have a degree of uncertainty.

Q569 Ian Paisley: I apologise for my outburst, David. Whenever we were investigating corporation tax, the single organisation that was the biggest impediment to our reducing it



was this great and wonderful European Union. They threw up the Azores judgment. They threw everything at us, told us that we could not do it, went to the Chancellor, tried to block the Chancellor in making the arrangements for us. They also, whenever the Republic of Ireland was in the depths of its financial crises, told it that one of the things that would have to go was their low corporation tax jurisdiction. The EU is a high-tax region. They hate low corporation tax and they hate member states who try to reduce it, and we are going to suffer as a result of that. The rosy picture of the EU's co-operation map is not a reality and to tie that in with foreign direct investment—that it will fall, you said, by 80% if we leave the EU—just does not measure up to the stats.

David Gavaghan: Sorry, but that was not quite what I said.

Ian Paisley: Foreign direct investment has been the highest to Northern Ireland outside of London and that investment is not coming from anywhere in the EU. It is coming mainly from countries outside of the EU. In fact, in my own constituency the single largest investment has been from Mexico.

David Gavaghan: Yes. No, that was not what I said, Ian. What I said was the analysis the ESRI has done is the attractiveness of Northern Ireland as a location for future foreign direct investment. The fact that we would no longer have market access to the European Union as currently now: the analysis the ESRI has done says that would reduce our attractiveness by 80%.

Q570 Ian Paisley: I just do not buy that because we will have market access.

David Gavaghan: Well, I would obviously be delighted to—

Ian Paisley: It is as if the barriers would come up. Of course, we all know that the countries outside of the EU that currently trade, the barrier is like about 3% on average. It is not 15% or 20% barriers, it is about 3% barriers. It is hardly even a hurdle.

David Gavaghan: This is a very good example of why it is so important to have this information and analyse it and encourage people to put good data into the middle of the arena and analyse it, because this is a fundamental decision for all of us. Certainly, in terms of Northern Ireland, the fundamental issue is to bring more jobs and more wealth for the future of Northern Ireland. Therefore, getting this right is of vital importance.

Q571 Ian Paisley: It is, I agree with you. Andy, I have a very specific question for you. You have painted a picture of a trade deal friendly EU, which in your comments seemed to be one that you aspire to as opposed to one that actually exists. Could you outline what you would like to see Europe doing in the future? This is a huge aspiration, one I would agree with, but it is not the current EU that is there and the one that we are asked to remain in.

For example, one of the biggest markets that we want to get into is, of course, China. Our pork products, our food products, are of immense interest to China. We know we can supply that market. We know that we can increase our single largest business in Northern Ireland if we can enter that market. We are not able to get in. Why? Because the EU's negotiating skills are pathetic in getting a trade deal with China.



Switzerland—a little, tiny dot in the map—has an individual trade deal with China. Chile in Latin America has a fantastic trade deal with China. New Zealand has a fantastic trade deal with China. We are part of this major economic bloc, which you aspire for us to remain in, and we cannot get a trade deal with the biggest trading bloc in the world.

Chair: Okay. Why is that?

Ian Paisley: It is a disaster.

Andy Bagnall: Let me just work through your points because you covered a bit of ground there. First, while, of course, we aspire for the European Union to be more outward looking in the future and sign more trade deals of high quality, it is not fair to say that the EU has not been doing that to date. The trading arrangements between regional blocs have only grown in number since the failure of the Doha round, in other words trying to get a global multilateral trade settlement. The failure to complete any further multilateral round after the Uruguay round in 1994 is what has led to the rise of these regional bloc trading agreements. The EU has made quite a bit of progress. It has signed four trade deals just in the last year or so, Canada being the highest profile one, but Ecuador, Singapore and others.

Ian Paisley: Which we have always traded with before as a member of the British Commonwealth, so that would not affect us.

Andy Bagnall: Nevertheless, it is estimated to add a considerable chunk to UK GDP when it is finally ratified. The EU is obviously currently negotiating with Japan and the TTIP with the United States. If it concludes those trade deals, just those two with Japan and the United States, it would then mean we have EU trade deals covering just shy of 90% of British exports by value, so the EU is making progress.

Q572 Ian Paisley: How big is that “if”?

Andy Bagnall: If it concludes those. Well, at the moment, EU trade deals cover 60% of British exports by value, so we would argue that it has made progress. As I say, following the failure to make progress multilateral in terms of a comprehensive global deal, the EU has been making these deals.

Your point on China, though: part of the thing that holds up an EU/China trade deal is the EU recognising China as a market economy. Signing any deal is very easy; signing a good deal takes real care and attention. It is the negotiating clout of the EU that we are confident can in time help open up Chinese markets in a reciprocal way. You touched on Switzerland. It is sometimes easier for smaller countries where that need for China to open up across a whole multiplicity of sectors is less important. It is sometimes easier for smaller countries to sign those trade deals. Of course, in terms of the negotiating clout, it is not necessarily the case that these trade deals are balanced. Switzerland, for example, removes all tariffs almost immediately on Chinese products coming into Switzerland. China has 15 years to remove up to about 85% of tariffs of Swiss products going the other way in a limited number of sectors.



Q573 Ian Paisley: Specifically on the years, how long has it currently taken? When do you think the negotiations started between China and the EU on British pork products?

Andy Bagnall: They have taken a very long time.

Ian Paisley: No, specifically?

Andy Bagnall: I do not have the specific number.

Q574 Ian Paisley: Would it surprise you if it was about 10 years?

Andy Bagnall: No, it would not. I know that the Indian trade deal has been eight years in the negotiation. These are incredibly complex deals. The point is do you want to rush for any deal rather than take the time for a good deal?

Q575 Ian Paisley: Complex deals? Let me tell you what is happening around that. People are going through the grey market channel into China because producers in the United Kingdom are entering through Hong Kong, are entering through India, and then putting the product into China as another labelled product. Why? Because Europe has been an abysmal failure in negotiating that. They have been promising for years, “We will get you a trade deal on your foodstuffs, milk, fromage, beef, pork, into China”. None of it is happening. It has been an unmitigated mess, the trade deal negotiation between China and the EU.

Andy Bagnall: As I say, I think it is very, very easy to get a quick deal if you are not worried about the quality of it and the reciprocal access.

Ian Paisley: Quick? I am going to be retired by the time this is struck.

Andy Bagnall: It is very easy, as the Swiss have shown, that you can get a quick deal if you are not worried about the quality and the reciprocal access. If you want a comprehensive deal for two complex economies, it does take a considerable amount of time. The average time for a trade deal is five and a half to seven years.

Q576 Chair: Sorry, can I just come in on that, Mr Bagnall? Isn't that the point—that where there are 28 countries within the EU, that does make it far more complicated to get agreement?

Andy Bagnall: Yes.

Q577 Chair: If we were doing our own trade agreement, surely you take that complication away, but there is another point as well. It is a point I raised yesterday with another witness. The 500 million people in the EU, that is attractive in some ways, but it is also a threat to those whom we are doing a trade deal with. It is not as simple as you are making out, is it? It could well be the case, as you have conceded with Switzerland, where a single country might be able to conclude a trade deal with another country much quicker? Is that not a fair assessment?



Andy Bagnall: I think there is a lot in what you say, in a sense. The CBI, when we published this big, weighty tome trying to look at the pros and cons, has never pretended that there are not costs. We have never hidden the drawbacks. There are some downsides to EU membership. The point is that the net balance is positive and that is true in the specific trade deal point you are making. It does sometimes take a little bit longer, as Mr Paisley was pointing out. At the same time, you get on balance higher quality trade deals as a result. All four of the trade deals that the EU has recently signed include services, for example, which a lot of trade agreements do not. They concentrate on tariffs on goods. Absolutely, I would accept the fundamental basis of your point. There is a trade-off sometimes between the time and the complexity to get 28 countries into one place in advance in order to then negotiate with a third party, but we would argue that the quality of trade deals is better as a result of the clout in negotiations.

David Gavaghan: Could we speak for the small and medium-sized businesses in Northern Ireland in relation to your question? I think the challenge at the minute, and obviously before 23 June, is to be able to explain to small and medium-sized businesses in Northern Ireland, should we leave the European Union, what would be the nature of the agreement we would have with the European Union.

Q578 Chair: Nobody can say that, can they?

David Gavaghan: Well, I think that is what a businessperson wants to know.

Chair: It may be, but who has the authority to say that? Nobody has the authority to make that point.

Kate Hoey: Just as nobody has the authority to say what is going to happen to the EU in the next year—in the next few months, even.

Judith Totten: I think the key issue round the table for everyone is that there is so much uncertainty. In Northern Ireland terms, bringing it back to a local perspective, it is the stability of trade that a lot of the business owners are looking to. I agree, Mr Chairman, there is perhaps not a definitive answer, but it is a bit more information and statistical background and economic data that is required maybe specifically for Northern Ireland, which I appreciate is a hard ask at times.

Q579 Chair: That is why this Committee wanted to look at this issue. It is not that we will necessarily come to a conclusion. It is to air the discussion and the debate. If we fulfil that function, it is useful then in your view?

Judith Totten: Of course.

Q580 Ian Paisley: I must say your evidence is very good. It is very helpful to have a pushback on these issues because these are the things that are being put to us. Today, the founder of Wrightbus, one of the biggest manufacturing success stories in Northern Ireland, has come out and said that he will be urging his workforce to vote for an exit, a very significant workforce. It has been billed as Northern Ireland's first big player coming out to make his case, while others have not made that case on the other side.

Do you think with what has happened in regards to, say, the leader of the British Chambers of Commerce, that there is a lot of pressure on businesses just to keep their head down, hope this goes away, keep their trap shut and we will get out of it on the other side? Do you feel that that is happening?

Judith Totten: I think that business owners, certainly in Northern Ireland, are trying as best they can to inform their workforces, large and small. The CBI has produced a number of very positive documents in terms of giving both the arguments pro and con, in and out, and I think a lot of business owners are trying as best they can to inform. It is not our role, I suppose, as CBI representatives to encourage or lobby our members one way or the other, just to give them as much information as we possibly can.

I also heard the news about Wrightbus this morning, but by the same token we did a straw poll, if you want to call it that, or a discussion and debate with a number of our members last week and there were a number of them, who we will not reference in today's discussion, who were very definitely pro Europe. It is like any debate we are having at the moment. There will always be probably at the moment 70% or 80% who are pro Europe and 10% or 20% who are—

Kate Hoey: You mean pro the EU?

Judith Totten: Pro the EU, sorry, yes, pro staying in the EU and 20%—

Q581 Ian Paisley: Yes, Judith, but if you were to come out and nail your colours to the mast one way or the other, do you think there is an element that your credibility or your impartiality might be challenged and maybe even your position in the CBI would be under threat from others? Is that a real case, because that seems to be what has happened with the Chamber?

David Gavaghan: I cannot comment about the Chamber. I think the position we have taken in Northern Ireland alongside the CBI across the UK is we are reporting what our members are saying to us and all we want you to hear today is what our members are saying to us. This issue of stability of Northern Ireland is an additional factor that is very, very important for small and medium-sized businesses in the next phase of our growth. It is a fundamental issue and what it does to our GDP and the future of the economy is a key issue.

Q582 Ian Paisley: Is there not an element of dereliction of responsibility there in the sense that, yes, you are being very good, you are being this filter, you are reporting what your members are saying, but at the end of the day members require leadership? They require people to stand up and say, "You know something, I am making a judgment call and this is where I think we should go".

David Gavaghan: I think, Ian, you are encouraging us to respond to you but what we are trying to do is set out the facts. To use the phrase, the facts will speak for themselves if we can get to the point of clarity as to if you stay in it probably feels like this, if you leave it probably feels like this. As Kate Hoey has just said, obviously there is uncertainty on both sides in terms of what the future looks like.

When you opened your first question about a reformed EU, the fact is it is a reforming EU. At every stage it is reforming. Some of us may want it to reform more quickly, but the fact is it is constantly reforming. All sorts of things are changing, let alone climate change, in terms of global events. The population of the planet is growing, so it is constantly changing. I see, though, from a Northern Irish perspective the key issue is we need economic stability in which to grow our small and medium-sized businesses. We need market access and we need to take hold of the advantage of corporation tax, which is a fundamental opportunity for Northern Ireland, the greatest opportunity Northern Ireland has had for a long time economically.

Chair: Thank you very much. We will have to move on now.

Q583 Nigel Mills: Just to continue that line of discussion, what do you think the EU will look like in 10 years' time? How do you foresee it reforming or changing over that period?

Andy Bagnall: Well, look, while David has touched on Kate Hoey's point earlier on about uncertainty either way, I think there is a different order of magnitude in the uncertainties of where the European Union is heading were we to remain in it compared to the uncertainties with potentially departing from it. Clearly, the eurozone needs to integrate more in order to support the euro currency. The CBI has been consistent in saying we think that is in the UK's national interest for our largest trading partners to have a stable economic situation and a stable currency, but clearly that does throw up some questions for countries like the UK, which have a permanent opt-out from the eurozone. We think that the Prime Minister's renegotiation has taken some considerable steps forward in guaranteeing the place of countries like the UK outside the eurozone, whether that is around explicitly recognising that it is a multicurrency union, opting the UK out of ever closer union that the eurozone is going to need to undergo as set out in the Five Presidents' Report—

Nigel Mills: I think the actual document does not quite say multicurrency union; it says a union based on the euro with two countries with an opt-out.

Andy Bagnall: Yes, but that is nevertheless a further acknowledgement rather than the pre-existing situation.

Q584 Nigel Mills: Let us just throw some hypotheses out there. Would you support tax harmonisation across the EU? Would that be good for business in Northern Ireland?

Andy Bagnall: I certainly think that the integration of the eurozone is something that the UK has now preserved a degree of opt-outs from; that will ensure that a country outside the eurozone will be protected inside the single market. What is important for CBI members, they tell us, is that primacy of the single market—that they are not going to be discriminated against in terms of access to the single market.

Q585 Nigel Mills: I asked you a specific question: do you think tax harmonisation of business taxes would be a bad thing if someone was to propose that?



Andy Bagnall: Tax is currently a national competence. We support the maintenance of taxation as a national competence. VAT, obviously there are some issues across the EU, but in terms of broad levels of taxation we support that remaining a national competence. We do not think the UK's interests are best served by engaging in some of the harmonisation processes, whether it be tax or anything else, that are required to support the euro. That is right for the euro countries but not necessarily for the UK.

Q586 Nigel Mills: So if the EU was to go that way you would not support that, okay. What about if they decided that there needed to be more harmonisation of banking regulation to protect the whole union against shocks or systemic risk, which is what is covered in the agreement? Do you think that will be bad for business as well?

Andy Bagnall: Again we think that the Prime Minister, in his renegotiation, secured things that businesses would want to see: a guarantee that the UK will supervise its own financial services institutions, so—

Q587 Nigel Mills: Except if the Union felt there was a risk of a substantial shock or threat to the stability of the—

Andy Bagnall: But the Banking Union arrangements, which the UK is obviously not part of, did give some guarantees in the form of that double majority arrangement. The Prime Minister's deal takes that forward again by talking about specific provisions within the single rulebook for financial services. We feel that that is the right balance between a single market, which needs common rules, but protecting the UK's key industry of financial—

Q588 Nigel Mills: You aren't at all worried that the deal that was signed says, "Yes, member states do their own regulation—or those outside the euro do—unless there is some systemic risk, in which case the EU reserves the right to do it as well"? You are not at all worried that that language was put in the deal?

Andy Bagnall: As I say, we think the deal was a good step forward. Clearly these are incredibly complex issues. David made the point that reform is not an event, it is not a one-off; it is a continual process. There will undoubtedly be devil in the detail as we get to implementation; there will undoubtedly need to be further conversations as the eurozone integrates and what that means for the UK's financial services industry. But we thought the deal was a step forward in the right direction to guaranteeing the role of a country like the United Kingdom, which is outside the eurozone, in the European Union, where the eurozone countries are going to necessarily further integrate to support the currency. That, as I have said, we think is in the UK's interests.

Nigel Mills: It appears to becoming a bit of a CBI session, so we should move along to the IoD.

Andy Bagnall: Sorry, yes.



Q589 Nigel Mills: I was just having a look at some IoD press releases, just to try to work out what the IoD had been saying in the past. I think what you were saying in the run-up to the deal was that your members would only support EU membership if there was fundamental reform. That was a press release from May 2014 and there are many others similar. Do you think fundamental reform has been achieved?

Ian Sheppard: I think the feedback we had was the deal was probably better than was expected from that side in terms of Northern Ireland members of the IoD. The vast majority of those members are concerned with what it means for them in their day-to-day operation and how they run their businesses. The people that responded to our survey—over 40% of the respondees employ fewer than 25 people, but they are interested in what it means for them in terms of day-to-day.

Q590 Nigel Mills: Your organisation issued a press release that said, “IoD members back exclusive UK competence over company law, culture, media, education, health and safety regulation, justice, home affairs, research and development, taxation and transport”. We are not quite there, are we, on a lot of those?

Ian Sheppard: No.

Nigel Mills: Exclusive competence was what your members were backing. We do not have it on any of those.

Ian Sheppard: I think the IoD nationally is still trying to look and see what this will mean in practice as to what will be allowed to be done on a day-to-day basis. But again, coming back to members we represent here in Northern Ireland, they are much more concerned as to how they will run their businesses, what it means for them to access markets and ROI and their ability to bring in necessary skills to fill employment gaps in their workforce.

Q591 Nigel Mills: Can I ask you what we might call “the Hoey question”? Does either of your organisations get any funding from the EU? We have asked every other witness that, so we probably ought to make sure we have asked you.

Dr Stuart: I am not aware of any funding that IoD Northern Ireland receives.

Q592 Nigel Mills: The IoD in the UK?

Dr Stuart: I cannot speak to that.

Nigel Mills: Mr Bagnall?

Andy Bagnall: We have a commercial relationship with the EU Commission, so we receive funding via a competitive tender process for our economic analysis. We conduct a number—you may have seen them—of monthly and quarterly surveys of trends in the UK economy and those surveys are used by the European Commission to collect consistent European-wide data. They can then contribute to some of the funding of that. We also sell it commercially to Bloomberg, Factset, Macrobond and others. That contributes about 0.6% of the CBI’s annual income and it gives no obligations in terms of our



pronouncements on policy on behalf of our membership. The vast majority of our income comes from members.

Q593 Mr Nigel Evans: How much is 0.6%?

Andy Bagnall: It is about £148,000 a year. As I say, it is 0.6% of our overall income.

Q594 Mr Nigel Evans: It is competitively tendered?

Andy Bagnall: Yes.

Q595 Gavin Robinson: You will be delighted to know this is almost over. I think the figures either David or Andy gave were 60% of UK exports go to the EU.

David Gavaghan: 58%.

Andy Bagnall: Of Northern Irish, not the UK as a whole.

Q596 Gavin Robinson: It is not the case for Northern Ireland at all, not at all, and the DETI figures that were published in 2011 through to 2015 show a completely different situation from those figures. This is not a referendum for the big boys; this is a referendum for every boy and every girl in Northern Ireland. Why should people care what the view is of the CBI or IoD? How do you increase your relevance? How do you make it meaningful for the average punter in the street?

David Gavaghan: For the average person on the street, I think the important point is this is about the creation of long-term employment and sustained prosperity for every citizen in Northern Ireland. That is why this is a fundamentally important issue. We need to look at it in the context of this being a generational decision as to the future of the United Kingdom in a global market and how well we are placed to attract foreign direct investment.

Gavin, to get into the particular issue, having now got corporation tax on the horizon, the big challenge is what is the outlook for the generation of long-term jobs in a global market? People have put a figure of around 30,000 as potentially being what is out there on the back of corporation tax. Hopefully it will be more. In terms of tourism and travel, there is potentially another 30,000. That is 60,000 people in additional employment potentially over the next 10 to 15 years. Those are fundamentally key issues in terms of where we all want to get to for the future of Northern Ireland.

Q597 Gavin Robinson: We have had the benefit of this relationship, trading arrangement, for 40 years. Northern Ireland's manufacturing exports £8.2 billion a year to the GB, to the United Kingdom—we are not going to break that link—£3.2 billion to the United States and the rest of the world, and £1.5 billion to the EU. If we have benefited for 40 years from this trading relationship, why aren't those figures markedly different?



David Gavaghan: The key issue is rather than look back, to look forward. I think the most important thing looking forwards is what is the coefficient that creates the best opportunity for the future of small and medium-sized businesses? Members will tell us what they think. I think the question you are asking is not one for the CBI to give you an answer—maybe you have an answer—but I think what we are trying to do in the process of the next few months is engage with members to look out there and give as much information, along with other business organisations, to say, “What might be the outlook for the future of business in Northern Ireland?”

Q598 Gavin Robinson: I raised those figures so that we can put into some level of perspective the fear that is being created around this debate—the fear associated with leaving the EU and the impact that would have on business. As a Committee, we heard from a lady who had established a software company and she gave very credible evidence, but she indicated her fear about leaving would be the impact it would have on her exports. Some 93% of her exports go to the US, 7% go to GB, ROI and the rest, yet she was caught up with this fear. I appreciate your giving evidence today; I think it is important that we try to get to a reasoned position.

David Gavaghan: I clearly agree.

Gavin Robinson: But do you accept the figures that I have given put into some perspective the reduced nature of the existing trade with the EU? That is not to say that it cannot grow, but the reduced nature of the existing trade, DETI figures, and that opportunity abounds internationally and—

David Gavaghan: To do fairness to your question, Gavin, we will need to go back and get the information.

Judith Totten: I acknowledge your comments, Gavin. You opened by asking what was the relevance of the CBI and the membership—our membership is probably largely SME businesses. It is not all the sort of top 100 companies, it is not the big boys; it is SME business owners who are employing people and they are therefore responsible for families and wealth and so on. I think it is back to where we probably started this debate in terms of uncertainty and the future. But my point is that when a lot of small businesses in Northern Ireland look to export, the first market they look to export to is the Republic of Ireland, probably in some respects because it is a simple export for them, perhaps, and then they look to the rest of the world.

Q599 Gavin Robinson: £8.2 billion to £1.5 billion, so GB is the biggest market.

Judith Totten: I appreciate that, Gavin, but the point is they would not want to lose that. Even if it is a small proportion overall, they would not want to lose that and they would not want a barrier to that opening free trade to the Republic of Ireland.

Q600 Gavin Robinson: No, but in fairness—

Judith Totten: I know, in the overall scale of things.

Gavin Robinson: —nobody is suggesting they could lose it. The situation may change, but nobody would suggest they could lose it.

Judith Totten: It is uncertain.

Ian Sheppard: From the IoD's point of view, I think our concern is that to date over half of our members who lead organisations are not yet actively trying to work out what it means for their businesses and their employees. That is the bit that we need to stimulate—that thought process and that debate—so they can at least take an informed decision.

Q601 Chair: I will come to Kate in a second, then we will have to finish. We are over, but it has been a very useful session.

Jobs are the most important thing. It is probably my family background that makes me believe that is crucial to particularly Northern Ireland, where we have to build the economy to move on from the troubled past and everything. If you look at the unemployment rate in the United Kingdom since we joined the EU, it has been consistently, stubbornly higher than it ever was before, going back to the Great Depression of the 1930s. If you look at the figures, even now, when we have relatively low unemployment: 5.1%—that is higher than any year going back to 1940, before we joined. Why is that the case? If this is all about jobs, why is that the case?

Andy Bagnall: I do not think you can necessarily draw a causal link between EU membership and the unemployment rate in that way. What we can do, because CBI members give us the examples every day, is talk about the positive benefits where membership of the European Union does help generate jobs.

Q602 Chair: Yes, but the net result is that unemployment has been higher since we joined than it ever was before, going back to the Great Depression.

Andy Bagnall: I do not have the figures, but that does not mean they are correlated, necessarily.

Q603 Chair: But the success you talk about, how do we measure it? Surely we measure it by factors like that?

Andy Bagnall: For us, we measure it in the day-to-day experiences of CBI members who see benefit in European Union membership to help them create jobs. Put very simply, tariff-free access to a market of 500 million consumers helps in terms of boosting sales; more sales ultimately helps create jobs. Similarly, although the UK has innate features that make it attractive to foreign investment—the timezone, the language, the legal system—access to a market of 500 million from the UK as a gateway, as a base, again helps it to be more attractive, and more investment, more sales, more jobs. While I cannot comment on that correlation, I do not think that is right. We can give you lots of examples where jobs are created.

David Gavaghan: I think you need to ask the question of an economist rather than business organisations.

Chair: I will, thank you. Finally, Kate.

Q604 Kate Hoey: Can I just say, am I clear that the IoD's position is very simply that you are not saying to any of your members what they should do—you are looking to get the best possible information, which you will disseminate fairly and on all sides?

Dr Stuart: Absolutely.

Q605 Kate Hoey: I would commend you on that, because at least it does not sound like you are leading in any kind of Project Fear either.

Mr Bagnall, how often do you come to Northern Ireland?

Andy Bagnall: I have been twice before.

Q606 Kate Hoey: You have been working for the CBI since 2011?

Andy Bagnall: That is right. We rotate.

Q607 Kate Hoey: You have been twice to Northern Ireland, but you have come over this morning. Is that because you felt it was important?

Andy Bagnall: Very much so. I wanted to support—

David Gavaghan: He came last night.

Andy Bagnall: Yes, true. I wanted to support the chair of our council and our economic affairs network in providing the Committee with as much information as possible.

Q608 Kate Hoey: I think you have certainly talked quite a lot this morning. Can I just ask you, by the way, because you are the campaigns director: is this the only or the main campaign that you are involved in at the moment?

Andy Bagnall: Yes, it is.

Q609 Kate Hoey: So there is a fulltime campaign in the CBI to get their members to get their workers, to get the public to vote to stay in?

Andy Bagnall: No, not at all. That is not the CBI's position. Our job is rather like the IoD has set out, to inject the views of our members into the debate. It is not our job to tell people how to vote at all. People will vote in this referendum for a range of different reasons.

Q610 Kate Hoey: So what is the CBI's formal position?

Andy Bagnall: But on that, let me answer your question—



Kate Hoey: No, I just want to know what the formal position of the CBI is.

Andy Bagnall: The majority of our members have consistently told us they wish to stay in a reformed European Union. Since the Prime Minister's renegotiation, we are currently consulting again, which will be the third time since the Bloomberg speech and the referendum was first put on the table that we have gone to our members. That will inform our final position on the referendum itself, but at this point we are still consulting.

Q611 Kate Hoey: So the CBI does not have a position at the moment?

Andy Bagnall: We do not take a view on the referendum specifically post the deal. We are asking our members again at the moment, but our members have consistently told us—not monolithic, not all of them, but the vast majority—that they wish to remain in a reformed European Union. But on the specific question of post the renegotiation, we are currently consulting.

Q612 Kate Hoey: Once you have taken that position, if any of your formal committee members at the top structure say anything different in a private capacity, would they be sacked?

Andy Bagnall: I wouldn't like to speculate. All I would say is this: I think as a business representative organisation, my job is to speak with the voice of the CBI's members, to communicate what the majority of CBI members wish us to communicate on their behalf. That is our role, and hopefully to introduce facts and figures into the debate. As I say, we are not talking about telling people how to vote.

Q613 Kate Hoey: A final question: how long have you been getting money from the European Union?

Andy Bagnall: I do not know the exact number, but for several decades we have provided—

Q614 Kate Hoey: Are you saying that every penny you have received from the European Union to the CBI in terms of any of the work you have done has been competitively tendered for?

Andy Bagnall: No, I believe there has been some sort of reimbursement when we participate in social affairs dialogue, but 0.6% of our income, which is basically the total for the last few years of European money coming into the CBI, is for a competitive tender for the surveys that we produce. I will be honest: we see that as a sign of the competence of our economists and the credibility of the survey data we produce that that is used by Eurostat in that way. As I have said, we also sell it to a number of UK providers and commercial relationships, but we are not—

Q615 Kate Hoey: So you have a business interest in the EU? As the CBI, you are very interested in the EU in terms of support?



Andy Bagnall: In the sense of any business that 0.6% of its income came from a customer and that gave no obligation on us in terms of our policy positions, yes, in that sense we are interested.

Q616 Kate Hoey: But it was not all competitive tendering?

Andy Bagnall: The vast majority of that is from the surveys. As I say, there may be some very small amounts around the edge that are reimbursements when we participate in social dialogue on behalf of CBI members, the major employers of the UK.

Q617 Chair: Just to finish then, both sides have been very clear that you represent your members. When you do the survey of them, what percentage are you speaking of? The reason I ask that is the Federation of Small Businesses gave excellent evidence, but they were only quoting 3% of their members. Are you telling me it is 3% or 20% or 50%?

Ian Sheppard: Last week we surveyed 750 of our 800 Northern Ireland members. We did not survey students or retired members.

Q618 Chair: What percentage responses are you getting?

Ian Sheppard: 28.1%.

Chair: Of all your members?

Ian Sheppard: 28.1% have responded to date, so it remains open.

Chair: Mr Bagnall?

Andy Bagnall: The CBI draws its position both from survey work but also from our policy formulation process set in our Royal Charter. We have a sort of business parliament, if you like, regional councils, devolved nation councils, one of which David chairs, standing committees and so on, and we draw those in.

Q619 Chair: Can I get the percentage?

Andy Bagnall: I could not tell you the percentage of the 190,000 members that the CBI speaks on behalf of. We are quite a complex organisation, with a number of trade associations who bring their own memberships into the CBI, which is what gives us that unique reach. I could not tell you the exact percentage, but as I say, our governance process is set out in the Royal Charter, involving several hundred businesses up and down the country and across different sectors.

Chair: This has been extremely useful. Ladies and gentlemen, thank you very much for joining us.

Examination of Witness

Witness: **Glyn Roberts**, Northern Ireland Independent Retail Trade Association, gave evidence.

Q620 Chair: Mr Roberts, thank you very much for joining us; sorry to have delayed you slightly.

Glyn Roberts: No, that is okay, Chair.

Chair: Would you like to perhaps make a brief opening statement, introduce your organisation? You are very welcome.

Glyn Roberts: Thank you very much, Chair, and thank you to your Committee for the opportunity to present this morning. My name is Glyn Roberts. I am chief executive of the Northern Ireland Independent Retail Trade Association, a position I have held for eight years. Prior to that, I was Head of Parliamentary Affairs for the Federation of Small Businesses in Northern Ireland for seven years.

We very much welcome this opportunity to contribute to what is a key decision, which will impact on the future of every individual, every family and every business in the UK. I think in every respect this debate on our future in the EU is positive, whether you are in or out. It challenges everybody in business and politics and civil society in Northern Ireland about our place in the wider world. It is refreshing to have a major debate that is not about orange and green and I think that can only be a good thing. These hearings are making an important contribution to that positive and, I hope, refreshing debate.

We represent over 1,600 independent retailers, wholesalers and suppliers to the sector and a number of affiliated Chambers of Commerce and traders' groups. Retail is the largest part of our private sector economy in Northern Ireland, employing over 80,000 people, working in almost 10,000 stores in communities across Northern Ireland. Retail accounts for around 10% of all jobs in Northern Ireland, and as I have said, is our largest private sector employer. One in eight households has someone who works in retail and we believe that a revitalised retail sector is a key part of our growth in a new, more efficient private sector-led Northern Ireland.

Along with colleagues in CBI, the Northern Ireland Food & Drink Association and the Ulster Farmers Union, we see no compelling case for the UK to leave the EU. We have recently published a comprehensive 97-point plan, our Alternative Programme for Government, which is probably one of the most detailed policy plans ever produced by a local business organisation in Northern Ireland. We hear the Chancellor talk a lot about the Northern Powerhouse. We are very much committed to talking about the Northern Ireland Powerhouse and we hope our document can contribute to that.

But what we have said in our plan is that, given the economic benefit to Northern Ireland of the UK remaining in a reformed, refocused and competitive European Union, local political parties should support the UK's remaining as a member of the European Union in the forthcoming referendum. We want to see an EU that does less and does it better, an EU that is more competitive, regulates less and concentrates on the economic agenda. I think the reforms secured by the Prime Minister should be the starting point for change towards

an EU that is fit for purpose in the 21st century, where change is the only constant in the global economy.

In many ways, the real question is not whether the UK should leave the EU, but what type of reformed EU we need to have. I think the uncertainty of leaving the EU and the disconnect from a single market of over 500 million is likely to tip the balance towards many of our members to vote to remain. As retail is the most sensitive sector to economic changes, we are worried that this uncertainty over certainly the two-year period of negotiation post-Brexit would have a significant impact. There is also a concern of the impact Brexit would have on cross-border trade. Northern Ireland is already missing out on significant amounts of high-end retail tourists that go to Dublin but do not come north. We are worried the barriers could be put in place following that.

I suppose one thing that I would want to say is the Leave campaign does need to set out its alternative vision in a post-Brexit UK. We have had no contact with any of the lead campaigns, no engagement at all, and while we have put forward our recommendation in our Programme for Government, my organisation will not be corporately campaigning for either side. We are very happy with our individual members to vote in the way that they think best and to campaign and contribute to this important debate.

I want to concur with our colleagues in the FSB, who expressed concerns about the lack of informed argument for them make a balanced decision. I think that is absolutely crucial. We will be committed to ensuring that, in any communication we put to our members before June, they hear both sides of the debate. It is important the jargon is taken out of it, that we hear clear facts. We are not about, I suppose—I am not sure whether any of your previous witnesses have said this—Project Fear; it is about Project Clear. Both sides need to put a positive case for their vision. I do think that there is a particular onus on the out campaign to articulate a post-Brexit UK and obviously the impact that that would have in Northern Ireland.

I have submitted to your Committee our five-point plan that we produced in the European election there. Obviously I am happy to take questions. However, I submit that as written evidence, but I suppose in maybe five small areas, it does articulate the views that we want to see our three MEPs address and what are the type of things Northern Ireland needs to do more of, in terms of a small region in the European Union. Maybe if I can in conclusion say that, first, I am not a paid-up member of the establishment and my organisation does not take any European Union funding.

Q621 Chair: Thank you very much. You have raised a lot of issues there. Could I just get a feel for the extent to which you are aware of your members' views? You may have heard me say earlier that the Federation of Small Businesses presented figures, but that was just from 3% of their members. What scale are you talking about when you say your members believe this or that?

Glyn Roberts: First, obviously we produced our plan before the Prime Minister got the deal, so what we are looking at is the best way to survey our members in terms of that deal. I think one of the key barriers is not their lack of interest, but their central focus is on more domestic issues, such as the reform of business rates, how Northern Ireland modernises its infrastructure, how we get world-class skills and training and what the post-



corporation tax economic agenda is. That is probably one of the barriers and one of the problems of having the Assembly elections in May and I think that has skewed, to some degree, the debate. In many respects—

Chair: I am not quite sure this is getting to the question I asked.

Glyn Roberts: What I am saying is that what we are hoping to do is look at the best way to frame the question to get the response to find out what our members—

Q622 Chair: But at the moment you do not know collectively what their view would be?

Glyn Roberts: Certainly in terms of the meetings that we have, the views of our board members, the views of our grassroots members, is that they see remaining in as the lesser of two evils. It is about trying to get an EU that does less and does it better, an EU that is much more fixated on the economic agenda than the political agenda. This is where I think the business vote will swing either way; it is on the uncertainty principle. That is why I am saying that it is up to the Leave campaign to articulate a very clear vision of what a post-Brexit UK looks like, the impact that it has, how we interact with the 500 million of a single market. That is critical and I think that is where we want to get our membership views.

Q623 Chair: We will come back to that point in a minute. You have used these sort of stock phrases that are coming out, such as “the reformed EU” and all that. I cringe—and I say this as a Conservative—when the Prime Minister goes on and on about our long-term economic plan, as if it is fooling anybody. Can’t we just speak properly? We do not have a reformed EU. Yes, it will evolve, but it may evolve in the direction you certainly do not want it to evolve into. Where is the certainty in that?

Glyn Roberts: I think that certainly the reforms, whether you see them as reforms or change, should not be the limit of the change in the EU. That should be the starting point and we want to see an EU that is focused on single market, on the economy and less about regulation, a more competitive EU, an EU that is more focused on trade in what is a rapidly-changing world. For the private sector in Northern Ireland, it is about not just obviously that market of 500 million, but about building our profile across the world, making sure that we are able to trade across the world.

We have a crucial next few years with corporation tax. There is an issue there, certainly in a lot of companies, about the impact that Brexit would have on, if you like, the sales pitch that we would have with 12.5% corporation tax. There are a number of things that are still in flux, but we want to engage our members. I repeat as well that we want them to play a full role in this debate, because whether it is the managing director of Wrightbus or whether it is one of my members that runs a newsagent, they have the same vote.

Q624 Chair: It might be a stupid question: how many of your members would export?

Glyn Roberts: We have a large and growing supplier section of our membership. That is companies that want to sell goods and services to our members, so we do lots of things to support them. I think it is something that we need to look at. For instance, one of our

companies was Mash Direct, and Mash Direct is an incredibly successful company. Its route to market was two of our members, not very far from this building, and now it is, for instance, a major player in places like the United Arab Emirates.

I was in Dubai there a few years ago; I was delighted to see Mash Direct products in convenience stores in Dubai. I think that shows, particularly in this context of the Euro food and drink, we have a very good product here in terms of a world-class agrifood sector. That is where we need to get out there in the broader world. That is why I think this debate is very positive, because it is about what Northern Ireland's position is in that wider world. It is not about orange and green, and I think that is the positive thing of this debate.

Chair: Yes, absolutely. Thank you. Kate.

Q625 Kate Hoey: Am I right that a substantial number of your members employ 15 employees or fewer?

Glyn Roberts: Yes.

Q626 Kate Hoey: So you are basically representing those small shops, retail, bars and so on that do not necessarily export anywhere, although you have just said you have a sector that is increasing?

Glyn Roberts: Yes. We would probably have about 200 or so supplier members, but we really have built that on, because for a lot of them obviously it is a crucial part of the economy for them.

Q627 Kate Hoey: Of course your point about Dubai is very good, because Dubai is not in the EU and there is no reason why that company wouldn't be going all over the world.

Anyway, on the question of regulation: to most small businesses and certainly small shops, it is the regulation that they find extremely difficult to cope with. Do you have any specific regulations—if you had a priority list—that you would get rid of for small businesses?

Glyn Roberts: The first thing that we put in our five-point plan is obviously the Waste Packaging Regulations, obviously the Waste Framework Directives, some of the Landfill Directives and the Packaging Waste Directive. All of those are important issues that we need to get reform in. It gets back to the whole idea of think small first. A lot of the European directives—and this is something that I think we have made some progress on with the Small Business Act in the EU—are certainly exempting businesses that have 15 employees or fewer and a lot of them are owners.

Q628 Kate Hoey: Do you see any chance of that happening?

Glyn Roberts: I think that is why we need to focus on a reformed EU that addresses issues like that, an EU that regulates less. One thing I would say, the difficulties in the EU aside, one thing the Executive needs to do is follow through on its commitment locally to appoint a better regulation champion. We need to review how we engage with Europe as a small

region, but I do think in terms of waste and packaging, that is an area that particular members have addressed as a problem. But again, a lot of it gets back to the gold-plating of EU regulations, but I think that is why we need to positively engage with the EU and change that.

Q629 Kate Hoey: But given that the Prime Minister spent 18 months, practically, supposedly getting fundamental reform, and then went for a small number of things that he then had to fight very hard to get, do you believe that the 27 other countries are ever going to agree to some of these things that affect the very important grassroots of your membership in terms of regulation?

Glyn Roberts: Without detailed knowledge of where the other member states are in a lot of these issues, it is one of the reasons why we produced this plan, because we wanted to give direction to our three MEPs that we elect in Northern Ireland, where our members' thinking is in addressing some of these problems.

But no, I do believe with the publication of the Small Business Act, with the SME envoy, Daniel Calleja y Crespo, who visited the Assembly a few years ago, that we have made progress. It is not enough: we need to continue to push the EU in that direction, but we need to get our act together locally here in terms of the Executive. They still have not appointed a better regulation champion here. We do need to address that, but in terms of the EU, we need to continue. One of the reasons why we outlined the need for a commissioner for small business and better regulation is the—

Q630 Kate Hoey: But you can have all these important people appointed at huge salaries by both Brussels or Northern Ireland or whatever, calling themselves whatever, but it does not change the fundamental drip, drip, drip, the constant stream of new regulations coming from the unelected European Commission.

Glyn Roberts: Yes, and that is why I think there is a concern that if we are in a Brexit situation, many of those regulations would still apply, but we do not have a seat at the table. That is why we need to continue to engage. One of the other—

Q631 Kate Hoey: But in terms of your members, the vast majority of your members are not trading as such outside—there might be some with the Republic, but very little outside or into the EU. Why are you not being more upfront about thinking that Brexit would help them?

Glyn Roberts: We are very upfront in terms of the better regulation agenda; it is a key priority in our plan that we published. We have been focusing on the Executive getting its act together, because I think it is important that they appoint a better regulation champion. This gets down to that while there are a variety of views within our membership on this, they are probably still centred around this issue, "It is better the devil you know". That gets back to the point where I want to see what a post-Brexit UK looks like. What is the economic model? What is the model for trading with the single market?

Q632 Kate Hoey: But in terms of your members, how important is that?



Glyn Roberts: As I said in my submission, retail is a sector that is very sensitive to major economic change, so that is why we need to see a strong manufacturing sector, a strong construction sector, a strong service sector, because when those parts of the economy are doing well, retail does well. That is why we were behind and very strongly supportive of the corporation tax campaign, because we see that as a long-term vision, because more foreign direct investment means more jobs, which means more spending. But ultimately when we look at this, a lot of our members are saying the big priority is things like rates reform; it is things like addressing Northern Ireland's creaking infrastructure.

Kate Hoey: Yes, I understand that.

Glyn Roberts: All those. That is why, for instance, we have outlined the need for Northern Ireland to make an application to the URBACT III programme. Again, we have not seen much progress on that. I also think that we need to look again at the effectiveness of the Executive's office in Brussels and other regions of member states across the EU, who are punching way above their weight, I think we need to learn lessons from that as well.

Q633 Kate Hoey: But isn't that just getting our money back—our own money that Northern Ireland citizens have paid as part of their huge contribution to the EU? You are saying we should apply for this URBACT? Surely there is a more simple way that takes away all of that bureaucracy, where we have our own money and do not pay it.

Glyn Roberts: That gets back to the Leave campaign showing what their plan is for that. Can they guarantee that the Chancellor will open the cheque book for our farmers, for the challenges of our infrastructure?

Q634 Kate Hoey: Of course the Secretary of State has made it very clear that, as far as she can say in all of this, there would be no change. As there was subsidy before we joined the common market, there would be subsidy afterwards. It is just that the farmers might be more willing and involved in how that money should be spent—similarly with small business.

Glyn Roberts: What I would say is that I understand the Secretary of State. We met with the Secretary of State last week and covered some of these points. But I think the key man in all of this is the Chancellor. Is he giving the guarantee that in the event of Brexit he will open the cheque book for our farmers, for our infrastructure, addressing all of these things? We have not heard that yet.

Q635 Kate Hoey: But that is democracy. If he does not and we do not like it, we can vote him out. We cannot vote out the EU Commission.

Glyn Roberts: That is very true and that is why we need to get more democratic reform within the EU. We need to strengthen the role of the European Parliament and we need to get greater accountability there. I also think that we do need a proper engagement programme in terms of Northern Ireland and the EU and our MEPs and the role that they do.



Q636 Mr Nigel Evans: I am fascinated by your optimism that you think that we can negotiate any better deals with the European Union in the future. One of our election promises in the manifesto less than a year ago was that no child who had never stepped foot in the United Kingdom would get child benefit. I fought a general election on that and what is happening? We are giving them child benefits at the rates that are pertinent in their own countries. If we cannot do something simple like that—using the leverage of a referendum in which we could leave the European Union, we are unable to get them to do some moderate reforms such as that—why do you have any faith we can do something more fundamental later on?

Glyn Roberts: It is not for me, obviously, to comment on what the Prime Minister did or did not deliver in his negotiations or the manifesto that you fought the election on. What I am saying is that I think we need to continue to engage with Europe. We need to press and continue to push the reform and build a coalition across Europe on issues like the economy, on which I think there is a clear consensus, particularly obviously some of the new states that have joined in the last 15 years with very similar economies to Northern Ireland, very small business-orientated.

Q637 Mr Nigel Evans: But our track record is abysmal. Even the President of the European Union—the Prime Minister went around and talked to all the other leaders. Do you recall how many of the other 27 supported us? One—Hungary, that was it. That is roughly where we stand, so we can have a seat around the table of Europe and be ignored, bullied and harassed, or we can have our Prime Minister around the Cabinet table making the decisions that Kate has just spoken about, which is regaining all the money that we give to the European Union and spending it ourselves.

What you have just said is, “We want to know all the unknowns”. You know that the Remain campaign relies on the fact that some of these questions cannot be answered. If I say, “Yes, of course we are going to spend all that money on supporting farmers in Northern Ireland, because that is what we did before. We are going to have more money” and the chances are, as Theresa Villiers pointed out, they could get more money, what would you say to that?

Glyn Roberts: I think to some degree you have answered your own question. It boils down to this uncertainty that Brexit would create. While the system is not perfect—it is far from perfect—there is that feeling that it would be better. That was very much the same view that the Ulster Farmers Union came to, that on balance staying in, while it is not perfect, it is the lesser of two evils and is the best course. What I want to see is the Leave campaign articulating that view, what a post-Brexit UK and Northern Ireland looks like.

Q638 Mr Nigel Evans: I will tell you now. It is going to be exciting; they are going to have access to a world market that is growing, rather than stultifying. The United Kingdom will be able to do trade deals with other countries, as opposed to the European Union, which seems to take 10 years to do anything. We will be able to control our own borders and ensure that we control the number of people and the types of people who come into the United Kingdom to both work and to live in the UK, so that our skills base will be from the rest of the world and not just the European Union.



We will trade with the European Union because we have an enormous trade deficit with them: a £27 billion deficit with Germany alone. Do you really think that these countries are not going to want to do trade with the United Kingdom when we have such an enormous eye-watering trade deficit with them? Essentially, it will be very exciting to get out there, out of this protectionist racket that is basically dragging Britain down.

Glyn Roberts: One of the difficulties and the concerns within the business community is the fact that, even if we do negotiate a new trade deal, we will still be subject to a lot of the regulations that you went on about. I suppose moving from a rule maker to a rule taker, we will be outside but still subject to a lot of the regulation, still subject to a lot of the funding, but unable to influence that, not being at the table.

I think that is why if you look at the extent of the peace funding that we have, to take a slightly different view, that has supported and underpinned a lot of the reconciliation process—and I am not for one minute saying that if the UK left the EU that this would hit the peace process, I am not saying that at all. All I am saying is that we need to be doing more on that, we need to be, for instance, doing a lot more things like Horizon 2020. We need a proper engagement process in terms of the Northern Ireland point of view.

In the broader sense of the UK, we need to be pushing for more radical reform, making sure the single market works for small business, getting agreement across the EU for exempting businesses that have less than 15 employees from a lot of the rules and regulations there. I think that that is achievable. We have made progress with the Small Business Act. I think we need to continue down that way, rather than the uncertainty that a Brexit situation would create. That is where I suppose, on balance, the business community sees this, that it is the uncertainty versus the certainty.

Q639 Mr Nigel Evans: Let me give you some of these questions, then.

Chair: Questions really, though.

Mr Nigel Evans: I will, which is the possibility of 75 million people from Turkey—not even “possibly”; they will be—accessing Schengen as from June of this year. Then their accelerated membership of the European Union so that they would then have access to the United Kingdom; we would not be able to stop them. The fact that the euro has basically strangled a number of EU countries to the extent that there are riots in the streets, and unemployment for young people in Spain is reaching over 50%. That is the certainty. You cannot give me a certainty that the corporation tax rate will not be uniformed by the European Union in two or three years’ time. You just simply cannot give me those certainties about how the EU operates. All we know is what we have had in the past, which is, quite frankly, real issues and problems, so much so that the European Union takes years to do trade deals with other countries.

Chair: Turn that into a question.

Mr Nigel Evans: Would it be far better if we were able to do those trade deals on our own?

Chair: That is a question.

Mr Nigel Evans: Yes.



Glyn Roberts: I knew there was a question mark in there somewhere.

Mr Nigel Evans: At the last word.

Glyn Roberts: I do think obviously Turkey's accession to the EU is a long way off, and I think that—

Q640 Mr Nigel Evans: You do not know that. It is an unknown.

Glyn Roberts: Just in one sense that you were castigating this idea of Project Fear, with the greatest respect, Mr Evans, you are doing that with Turkey.

Q641 Mr Nigel Evans: It is unknown. You know they will be entering Schengen this year.

Glyn Roberts: What I am saying is that whether Turkey joins the EU, and that is a long way off—

Mr Nigel Evans: Do not know.

Glyn Roberts: —I still think that you are indulging in a bit of Project Fear there, that we do need to be careful of that there.

Mr Nigel Evans: We just do not know.

Glyn Roberts: Do I think EU enlargement has been a positive thing? Yes, I think in a way it has. Alongside NATO, it has been a force for political stability. What I am saying is, from a Northern Ireland perspective, we do need to be getting out there with the Brit countries, building those good trade links, and we are in the EU, but it still does not stop a lot of Northern Ireland businesses getting out there and building those new markets and still remaining in the EU.

One of the big things I worry about is that if we have 12.5% corporation tax, a lot of companies, particularly American companies, would see Northern Ireland as a gateway to the EU. We are lucky in many respects in that we have the best of both worlds. We are part of the UK, part of the island of Ireland, great links with the North American market, and a member of the EU. If we can put Northern Ireland in the context of all those different interlocking relationships, we have a positive vision for this region.

Q642 Chair: Can I just touch on the corporation tax issue? Not this Commissioner, but the previous Commissioner I went to see: I had a one-to-one meeting with him when the Committee was looking into that issue. The vibes from him were very anti reducing corporation tax. Even the way we are doing it, they were very anti that. It is happening. I accept that. It is happening. They were very, very much against it, partly because of Azores judgment, and there was a lot of pressure on the Republic of Ireland to give up its policy. I really do not think witnesses should be using the EU to demonstrate how good the corporation tax change would be. That is going against their policy. Do you accept that?

Glyn Roberts: No. What I am saying is that—



Chair: It is pretty clear from my meeting and from the way they treated Republic of Ireland.

Glyn Roberts: We have the date and the rate. Probably the bigger question is the plan and how the Executive affords corporation tax because—

Chair: That is because of the EU rules.

Glyn Roberts: Yes. That is probably more of an immediate challenge, and the whole corporation tax will be long term, or it probably will take about 15 years to work through the economy in terms of all the foreign direct investment, but that is not a bad thing, a long-term vision of the Northern Ireland economy. In the past we have maybe gone through just seeing it through the prism of a five-year programme for Government in terms of the Assembly, but I think withdrawing from the EU may well be a disadvantage to potential foreign direct investors out there. My worry is that they could go to Dublin instead, and we are already at a disadvantage there to some degree, losing a lot of big foreign direct investment to Dublin, and I want to see both world-class foreign direct investment coming here but also world-class indigenous businesses grown here as well.

Q643 Chair: We will have to close in a minute, but can I ask you about your members who do not really have any involvement with the EU in terms of exports or do not export anywhere? You must have a lot of those members, yet, even though they are not exporting, they are caught up with all the regulations and directives that you seem confident can be reversed. I do not share that confidence, partly because I used to be on the Committee Kate is on, the European Scrutiny Committee, which is a misnomer if ever there was one. A lot of your members will be more than touched by regulations, directives and European Court judgments coming from the EU even though they do not on a daily basis export or it is not really of interest to them. Hopefully you are taking their views into account as well?

Glyn Roberts: Absolutely, and this is something we will obviously be surveying and keeping an ear to the ground. Also what will be an important role is the views of some of the local chambers of commerce we have in Northern Ireland, so the views of the likes of Newry, of the Derry Chamber and things like that there. Some of their views, in particular with the border, and maybe that is an area that your own Committee could look at in terms of their perspective, in terms of the challenges the border will have vis-à-vis the whole Brexit issue.

Yes. It gets back to the point that I made earlier. Our starting point is to have a proper, better regulation strategy in place in terms of the Executive. We do need to continue to push. It was a commendable thing that the previous coalition Government in London did in terms of the “one in, one out”. We need to get something like that. We need to set targets for better regulation here. That is something the Executive has to lead in. It needs to be a proper strategy across every one of the Government departments here.

We have said that this needs to be a priority for the new First and Deputy First Minister that will be elected post 5 May here. I do think that obviously in all of that there we need to do an audit of where the problems are with regulation, and it gets back to this: I want my members to be running their stores, growing their business, not filling in forms. There are still big challenges there to employment law, even the way that the European Union perhaps works in terms of its idea of a small business is 200, whereas that is not the case



in Northern Ireland. We need to change all that. I do think, on balance, let's stay in, let's change that, rather than have the uncertainty of Brexit.

Q644 Chair: You have made your point very clearly. Thank you very much indeed for joining us. Thank you.

Glyn Roberts: Thank you very much.

Q645 Kate Hoey: Are you having any public meetings of your members? I am sure Nigel Evans would be very happy to come and speak, if you want someone from—

Mr Nigel Evans: I am a former retailer.

Glyn Roberts: Nigel, you would be very welcome.

Mr Nigel Evans: That is good.

Glyn Roberts: You have, I think, taken evidence from Conor Houston, and I think that his group is doing an excellent job in those types of debates. I think it is—

Q646 Kate Hoey: Your members, your shopkeepers and so on, who are not going to be disadvantaged at all by any Brexit, need to be reassured—

Glyn Roberts: I am doing everything I can to put those events out there, but I would say we have not had any official contact from either of the two Leave campaigns. I would hear and welcome that engagement. I did host Nigel Farage last year on a visit to east Belfast, and was very happy to engage with the Leave campaign, but we have not had that engagement.

Q647 Kate Hoey: It is early days. I would not worry. I am sure you will be—

Glyn Roberts: Absolutely. I know the designation in terms of who is the Leave campaign.

Q648 Chair: We will take that back. Thank you.

Glyn Roberts: Thank you very much.

Chair: Thanks, Glyn.

Kate Hoey: Thank you.

Examination of Witness

Witness: **Robin McCormick**, General Manager, SONI Limited, gave evidence.

Q649 Chair: We will crack right on and open the public session again. Mr McCormick, you are very welcome. Thank you for joining us.

Robin McCormick: Thank you.

Chair: It might be helpful for the Committee if you introduced yourself and your organisation. Tell us a bit about what you do and where you are coming from on this subject. Thank you.

Robin McCormick: Robin McCormick. I am the general manager of a company called SONI—that is, the System Operator of Northern Ireland, which would be a bit akin to National Grid in GB. We have two responsibilities primarily. One is to keep the lights on, so we manage all the generation to meet the demand as that arises. We operate the All-Island Electricity Market, which is the wholesale market on the island. That was introduced in 2007 as a means of, first, attracting generation to the island; and secondly, reducing the prices of wholesale energy to all customers across the island. That was a bit of an innovative market arrangement where two Government Departments, two regulators and two system operators got together to form this new market.

More recently, we have taken on responsibility for the planning of the network for making the investment decisions on the transmission network, so the motorways of the electricity system. The two main things that we are considering at the moment are another link between the northern part of the system and the southern part of the system, which we call the North-South Interconnector; it is actually in an oral hearing in Dublin at the moment and expected to be in a public inquiry at the end of June of this year. That is a major transmission infrastructure project, and there are other projects, which largely would have been driven not by growth in demand but growth in renewables associated with the 40% target that we have had in the north under the Strategic Energy Framework and has been mirrored in the south, where they have a similar 40% target. We are a private company owned by a semi-state company in Dublin called EirGrid.

Q650 Chair: Thank you very much. Why do you come to this subject? How do you take an interest in this subject?

Robin McCormick: We take an interest in this subject because we are running an electricity market that effectively is in two jurisdictions: currently two member states. The North-South Interconnector, for example, would have PCI status, Projects of Common Interest status, and we run a geocurrency dual jurisdiction, dual regulatory arrangement. If there were any changes, we would have to deal with whatever the impact was, whether we remained or withdrew. We would have to manage the electricity wholesale market arrangements. We would have to manage the arrangements at the moment, which require both ourselves and the business in Dublin to jointly look at the whole island in terms of making transmission investment decisions.

Q651 Chair: Do you deal at all with the Channel Islands or the Isle of Man?

Robin McCormick: No, we do not. We do not have any links, either physical links or commercial links, with either the Channel Islands or the Isle of Man.



Q652 Chair: What about mainland GB?

Robin McCormick: Mainland GB, we would operate the Moyle Interconnector. That is an undersea cable link between Islandmagee and Scotland, and it is owned by Mutual Energy but we would operate it on their behalf. We would manage all of the trading arrangements across the interconnector and the flows that result, so they feed into this All-Island Electricity Market.

Q653 Chair: If at all, how do you tie in with the continental market?

Robin McCormick: The single electricity market was brought into play in 2007, and since then the arrangements at the European directive we would espouse have taken us to move a little bit further. The two regulatory authorities, the Northern Ireland Authority for Utility Regulation, and the Commission for Energy Regulation in the south, are jointly bringing in a new market design that aligns with what we would describe as the target model, what the European Energy Directive would see as a beneficial market arrangement right across Europe.

We are a small regional market on the periphery of mainland Europe, but we are adopting a similar market design. The primary reason for introducing the new market design is to improve the trading that occurs across interconnectors, between the market that exists in Northern Ireland and the south of Ireland, the two interconnectors—the Scottish one that I have just referred to, and the East-West Interconnector, which links Dublin to Wales.

The purpose of the new market is to improve the trading on those two interconnectors and beyond, so there is a helicopter-view taken across Europe of all the flows and all the interconnectors, and the trading is anticipated to be much better and much more effective, and that would obviously be to the benefit of customers on the island.

Q654 Chair: The way the situation is at the moment, certainly what I hear from industry and individuals, is that power is quite expensive, energy is quite expensive for Northern Ireland. First, would you agree with that? Secondly, if that is the case, why is it the case, and how might that change in the future?

Robin McCormick: I would be more familiar with the wholesale price of electricity, which tends to be reflective of the price of gas. That tends to be the price that sets the market price. The fact that we have quite a considerable amount of renewable generation on the island means that that price has been reduced, so there is downward pressure on the wholesale price as a result of the level of wind generation you have. The wholesale price I think is an efficient price for the cost of the delivery of gas to the island, and of course there are challenges in terms of bringing gas to the island because there are limited indigenous sources of gas here. The wholesale price reflects an efficient market.

The issues around the price: I am probably not best placed to reflect on that. I know the utility regulator would view that and would believe that residential customers here are getting a pretty good deal compared to where it was before. I think the only group of customers who have a big concern about the cost at the moment would be the large energy

users. We have had examples of Michelin, Bombardier and so on, and some of them have had to make corporate decisions about their future. In doing so, the cost of energy would not necessarily have been the top of their list, but it nonetheless was on their list. I know that there are some exercises going on at the moment to assess whether anything can be done around the fringes of the way we power electricity to assist them.

Q655 Chair: I am sure that is something we would like to explore on another occasion, but this particular session is obviously related to the European Union and the referendum. In the event of Brexit, what practical difficulties do you see coming your way? Can you give us some examples of what might happen? It might be advantages or difficulties. How would you see it in terms of what you are doing?

Robin McCormick: In terms of what we are doing, I do not see Brexit having a direct impact on the current working arrangements. The All-Island Market could continue to function. It is dual-currency. It is all set up to manage that. It is an efficient market. Customers on the island get a benefit from it. It is a regional market, so it is a trading agreement with another member state to do business. The difficulty would be if, as a result of Brexit, there was a change in policy to change the market arrangements, and that would be the thing that would be disruptive.

Q656 Chair: Could that not happen anyway?

Robin McCormick: It could happen. There have not been any indications that it is likely to happen in that we are in the process of developing new systems to run a new market from the end of 2017.

Mr Nigel Evans: That is the thrust of it, Chairman. At the moment, prior to Brexit, there is no intention of change, and post-Brexit there has been no indication that there will be any change. As far as the unknowns are concerned, these could happen whether we stay in or leave.

Q657 Chair: You just do not think it would impact? You do not see any positive for either on it?

Robin McCormick: I do not see positives either way. If we remained in, what underpins all of what we do is a direction of travel that Europe would espouse, and the UK in its infancy in terms of electricity markets would have led the way, and much of what Europe is doing now has been developing the model that was developed in the UK. There are examples of other countries that are not part of the EU, who continue to run their electricity markets under the general framework that Europe operates under, and I would be working on the basis that the market we are going to put in is an efficient market for the island and there is no obvious reason why it would change, unless there were a set of circumstances that arose and, as you say, they could arise anyway.



Q658 Chair: Just coming back to the pricing, though, I cannot remember the exact phrase about the intensive energy users, but hasn't there been EU legislation that has piled some costs on those businesses?

Robin McCormick: The only things that I can think of off the top of my head are the Emission Directives, which would impose restrictions on emissions, and some of the power stations are taking that into account in terms of looking at a business case for whether they retire a plant or they spend money to extend the life of it. There is a good example of some units at our Ballylumford power station, where, because the North-South Interconnector has not been built, there are some capacity shortages, and we have had to contract with them separately, and that would have funded some of the work that they needed to do to manage their emissions. Going forward, by 2021-22, there will be other units in the Northern Ireland system and in the southern system that will have to make similar decisions.

Q659 Chair: For example, the Japanese have invested heavily in my constituency to then build a couple of new nuclear power stations, not in my area but outside, one at Wylfa and one in Somerset. Is there much inward investment in terms of energy production to Northern Ireland?

Robin McCormick: In Northern Ireland, the inward investment would have tended to have been on the renewables side, primarily. In the 1900s you would have had investment in the combined cycle plant at Coolkeeragh and Ballylumford. It would have brought in the Moyle Interconnector. Really, since then, it has all been renewables. We have about 650 megawatts of wind generation connected to the system, with a small system peak demand of 1,700 to 1,800 megawatts. We would expect that to rise to something like 1,500 megawatts or 1,600 megawatts by 2020, and there would be a similar peak demand in the south. From that respect, we are way ahead of the game in terms of renewable production.

Q660 Chair: Where is that inward investment coming from?

Robin McCormick: That would be from just local wind developers or international companies. A range of companies. The support mechanism, which is due to end shortly, has sustained a period of investment in renewables. The investment in conventional plant, for want of a better term, in Northern Ireland would probably be restricted at the moment because we have not succeeded in building the North-South Interconnector, and that is restricting the whole operation of the market. In the south, when the market was introduced, they were facing a bit of a deficit of capacity, and the market arrangement would have opened the gates for sufficient investment for the island to have sufficient capacity to meet our security of supply requirements.

Q661 Chair: What is the problem with building the interconnector?

Robin McCormick: It has to go through a public inquiry in Northern Ireland, an oral hearing.



Q662 Chair: It is the usual process.

Robin McCormick: There is quite a lengthy process, and we are now at a point where we need it to work through at reasonable speed to deliver it in time, otherwise there will be additional cost to Northern Ireland customers to try to plug a hole that we do not want to exist.

Q663 Chair: What percentage of your energy is derived from renewables?

Robin McCormick: I think in December of last year 40% of the energy that was consumed by customers came from renewables.

Q664 Chair: It is very high.

Mr Nigel Evans: That is very high.

Robin McCormick: That was a significantly blowy month.

Q665 Mr Nigel Evans: Solar panels?

Robin McCormick: Solar panels would not have broken into that. 40% is a very big number.

Mr Nigel Evans: Yes.

Q666 Chair: What is it across the UK? Less than 10%, is it?

Robin McCormick: Yes. I think the figure over the year was probably in the mid-20s. We are working on the basis that by 2020 we will be able to supply 40% of the total consumption. To do that, we are working with EirGrid in the south to try to work out how to do that. We are a very small system. When you hear of individual countries across Europe saying, “We are supplying much more than that”, they are doing it on the basis that they are connected to a huge, big electricity system. Any fluctuations caused by wind are lost in the mass—

Q667 Mr Nigel Evans: That 40% must be one of the highest around the world, must it not?

Robin McCormick: Yes. When the wind blows, customers are getting the commercial benefit of that in terms of reductions in wholesale price.

Q668 Ian Paisley: We do not have the capacity to store it, though. Isn't the problem?

Robin McCormick: We do not have the capacity to store it. That technology is starting to be seen. We have a—

Q669 Ian Paisley: It is a major flaw that you are generating all this electricity but it has to be used there and then. You cannot store it.

Robin McCormick: Yes.

Chair: It is the trouble with electricity, yes.

Robin McCormick: We do have a 10-megawatt battery installed at one of the power stations, and that is a working battery, and it helps to manage things on the fringes, where wobbles happen on the system.

Q670 Chair: If you are 40%, and that is throughout the year, that is everything that is counted and everything used, what happens when it is a very cold, still day in January, which are the coldest? What if there is no wind blowing? The backup is traditional methods?

Robin McCormick: It is traditional, conventional plant at the moment. That is the case, so we cannot attribute a huge amount to the capacity that you need to secure supply from wind because of that very problem.

Q671 Ian Paisley: High-energy users, Robin, is one of the issues that really interest me. To keep our manufacturing and industrial base, we need to have cheap electricity for them. Indeed, you mentioned Michelin in your statement. Michelin cited high energy costs as one of the reasons why they are closing there, 1,100 jobs or 980 jobs in Northern Ireland, later in 2018. It is a major concern. I think that you are right, consumers do get a good deal, but the big energy users are now under immense pressure.

Do you think that if we were to exit Europe we would have the capacity and the opportunity to negotiate separate deals with other energy providers, maybe directly with Russia and with others, to get cheaper electricity and cheaper energy to our big manufacturers? Would that be an option that is open to us, which is currently closed?

Robin McCormick: That is probably beyond my ability to answer. The market arrangements that we have mean that we get access to a wider range of generation across the island than we otherwise would. The trading arrangements that are being put in place mean that we have access via the interconnectors to a wider range of energy sources, and, therefore, we are getting a pretty good deal. I would be concerned if we were to go back to a Northern Ireland market and only be able to access and negotiate for Northern Ireland's needs specifically. I think we are in a better place now than we would have been if we had a Northern Ireland—

Q672 Ian Paisley: By “we” I was thinking the UK, not Northern Ireland, doing it unilaterally.

Robin McCormick: From a UK perspective, I would be suggesting that the level of interconnection between mainland GB and Northern Ireland would need to increase to allow Northern Ireland to get access to whatever it was that GB had to offer. We would do a forecast statement every year, and we have to make an estimate of how much we can rely on GB for energy.

Obviously, the energy situation in GB has gone from, “There are no problems” to, “Are we going to be able to keep the lights on?” The markets fluctuate and the capacity fluctuates, so I do not know the answer to that. All I know is that there is a major investment by customers in Northern Ireland in the market arrangements that exist at the moment. There is a further investment in the new market arrangements, so to have paid that money out and then to pay money to do something different would be burdensome and there would need to be a significant benefit to justify that step.

Ian Paisley: Thank you.

Q673 Chair: Any other questions? That is very useful. Obviously, energy is a hugely important issue, so we have got a very good steer on it from you. Thank you very much indeed.

Robin McCormick: Thank you.