HOUSE OF COMMONS

Northern Ireland Affairs Committee

Oral evidence: Future of the land border with the Republic of Ireland, HC 700

Wednesday 30 November 2016

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Watch the meeting

Members present: Mr Laurence Robertson (Chair); Tom Blenkinsop; Lady Hermon; Gavin Robinson; Jack Lopresti; Dr Alasdair McDonnell; Nigel Mills; Bob Stewart.

Questions 91 - 161

Witnesses

I: Dr Conor Patterson, Chief Executive, Newry and Mourne Co-operative and Enterprise Agency, Peter Conway, CEO, Warrenpoint Harbour, Michael Blaney, Managing Director, Autoline Insurance Group.

Examination of Witnesses

Dr Conor Patterson, Peter Conway and Michael Blaney.

Q91 **Chair:** Gentlemen, good morning. Thank you very much for joining us. As you know, we are looking into the future of the land border between Northern Ireland and the Republic of Ireland. We are not rerunning the referendum debate. We are looking forward from here. We are delighted that you are able to join us. Could I invite you perhaps to introduce yourselves and tell us a bit about your organisation and what you do? We can get into your concerns and aspirations in more depth in a few minutes, but we will start with introductions. Dr Patterson, shall I start with you?

Dr Patterson: Thank you, and thanks for giving us this opportunity. It is a privilege to be here. Before we start, I want to emphasise that we are not politicians. We would not always choose to be here. We are here because of concerns in our community. We represent stakeholders in our community. What we will share with you is the product of consultation as well as our own practice experience.

My own organisation, Newry and Mourne Co-operative and Enterprise Agency, was founded in 1972 by directors of Newry Credit Union, which had been founded 10 years before, to address endemic poverty in our community. Unemployment in Newry at that time was the highest in Western Europe, and politically motivated violence in the Newry area was at its most intense. The mission of the organisation is to contribute to the growth and prosperity, and thus the social and political stability, of the Newry and Mourne region, by undertaking enterprise, business, economic and community development initiatives.

The organisation's recognised credibility and competency, contacts and networking ability are manifest in the wide range of clients that it serves. It has been for the last 25 years the main provider of support to new and expanding microbusinesses in the Newry and Mourne area, in partnership with Invest Northern Ireland. In the last 10 years, the organisation has not just been an agent for urban and rural regeneration but has helped to create 1,400 businesses in the area, with funding from Invest Northern Ireland, creating employment for 3,000 people. It has also helped 400 established local businesses to grow, and assisted in the development of 140 social enterprises across Counties Armagh and Down. The organisation represents the best of the Newry border area, South Armagh and South Down: hard work, innovative thinking and enterprise. In 2015 it received the Greater Newry Area Business Award for exceptional contribution to the region. Thank you.

Chair: Thank you very much. Mr Blaney.

Michael Blaney: Good morning. I am managing director of Autoline Insurance Group. We are an insurance and financial services broker. The business started over 40 years ago, in 1975, as a small traditional insurance brokerage based in Newry. We had a plan to grow the business, which we have managed to do, and diversified into quite a lot of business insurance and independent financial advice.

Challenges in insurance during the Troubles, specifically in our area, meant it was much more difficult to attract insurers into the marketplace. With a lot of insurers coming in and withdrawing again, we found that the insurance premiums for our clients, particularly in our region, were extremely high.

When I acquired full ownership of the company in 1997, our aim was to grow the company to its full potential. One of the big challenges we had had was the attraction of talented employees, particularly to our geographical area, and to a company that was effectively in the S of the SME space. Over the last 10 years in particular we have managed to grow the company from 50 employees to over 200, and our turnover has gone up from under £10 million to nearly £50 million. In 2007 and 2008 we acquired five additional brokers across Northern Ireland. That expanded our geographical reach to cover all of the main areas of the Province. Three years ago we opened a greenfield site in Enniskillen in County Fermanagh. That is also affected by its close proximity to the border, in addition to our Newry branch.

We have a reputation in the market for innovation in both products and in our talent management. We secured Investors in People Gold in 2012, and we have built ourselves up to be, we feel, an employer of choice, to try to attract the right talent from all over Ireland, both north and south of the border. In November 2014 we secured the assistance of £500,000 from Invest Northern Ireland towards the creation of 60 new jobs related to our young driver telematics product, which was being exported to the GB mainland and into the Republic of Ireland. Invest Northern Ireland have recently pledged a skills growth programme grant of £285,000 in addition to that, for further training and development. In 2014 we commenced a knowledge transfer partnership with Queen’s University, through which we had a Vietnamese data scientist working on our telematics data in-house for two years. Unfortunately he was the first casualty in terms of Brexit. Having previously agreed to remain with us after the end of his KTP, as soon as the Leave vote came through he made plans to look for employment in Dublin, as he felt he needed to remain within the EU.

Given our location in Newry, one of our significant market opportunities is to grow into the Republic of Ireland, where there is significant demand for our young driver product. One of our major concerns is how the flow of talent will be affected from markets across the border. Another of our concerns is also that a significant portion of our growth strategy was the natural step into the Republic of Ireland, given that two of our offices, Newry and Enniskillen, are so close to the border. We have plans to expand our personal lines products and our agribusiness into the southern market. We feel this would become more difficult from a regulatory perspective if there is a hard Brexit, with the passporting rights we currently have to trade in other EU jurisdictions perhaps being withdrawn. That is one of our main concerns.

Chair: That is very useful, thank you very much. Mr Conway.

Peter Conway: Good morning, Chairman and members. I am Peter Conway, Chief Executive of Warrenpoint port. Warrenpoint is a trust port, and, along with Londonderry and Belfast, one of three trust ports in Northern Ireland. There is Larne of course, which is a private port. Warrenpoint is the second port now in Northern Ireland, and the fifth on the island of Ireland. It is really like a microcosm of a Belfast or a Liverpool in that we trade in all major product lines. We have a roll-on roll-off service. We have container services. It is different from a Larne or a Dover, which is more or less a terminal. It is a microcosm of the large ports. We import timber and steel. We export very large amounts of cement, coming to the City of London, for example. We import animal feedstuffs for the Northern Ireland and Republic of Ireland agri-foods market. It is a thriving and very busy company.

We are doing, as I say, very well. We are the second port in Northern Ireland, with a turnover of £5.5 million. 3.4 million tonnes and over 1,000 vessel calls a year. Passing by the port, if you are ever driving in that area, you would be surprised that such an industry takes place behind those walls. Sometimes it is my job to get that message across, even to our local community. The harbour is responsible for about 75 direct employees, but of course there are agents, haulage companies and so on. In my ambit, every day I am responsible for over 250 people who work in the harbour premises, and the economic analysis has shown that we are responsible for about 1,200 jobs in the local community.

I am building all of this up to say that one of the major concerns that we have, and I have expressed this before, is that 48% of the trade through the port emanates from or goes to the Republic of Ireland. This is really a matter of geography. It is very simple. If you look at the map, you will see that we are halfway between Belfast and Dublin, on the main economic corridor on the island of Ireland, and the natural hinterland is to traverse that border.

However, I am also very fortunate to be a council member for the British Ports Association. I sit on that council here in London. Of course the ports also have a strong view on all these matters, because there is a maritime side to the concerns as well, in that throughout the United Kingdom over 50% of the trade through the ports emanates from or goes to the European Union. There are grave concerns in the industry, and we are involved in lobbying through the British Ports Association, with government, to try to work as hard as possible to ensure that the transit to the new dispensation will be as easy as possible, in particular with regard to tariffs. Perhaps later in the conversation I can give you some examples of how that concern may impact on our business.

Q92 **Chair:** That is very useful. Thank you very much. Thank you, everybody, for being brief as well. Mr Conway and Mr Blaney, you have given us a little bit of an idea of your fears, which we will come back to in a minute. Dr Patterson, perhaps I could invite you just to tell us of your concerns or aspirations, given the position we find ourselves in.

Dr Patterson: Our view is that the economy of the Newry border region was devastated by partition. Before partition, Newry was a significant port and trading node, midway along the east coast between Belfast and Dublin. Dundalk similarly was an important centre for the production of engineered goods, leatherwear and beer. Through most of the 20th century the region endured some of the highest rates of unemployment in Europe, emigration, underinvestment and of course political instability. That predated the Troubles. We had very high unemployment, 16% for example, in 1962, when Britain had full employment. It rose to almost 30% in 1972. Newry was known formally in the tourist literature of the day as the frontier town, and subsequently during the crisis of the Troubles our rural hinterland was branded "bandit country", and Dundalk, our sister town across the border, "El Paso".

But over the last 25 years this community has taken advantage of the dissolution of the border as a barrier to movement of goods and people, growing world-beating, innovative, locally owned companies, now employing thousands, and making an enormous contribution to the Northern Ireland economy. That economy comprises very successful home-grown, large, exporting employers, but also thousands of agile microenterprises trading deftly between the two jurisdictions in Ireland.

Unemployment in the summer of this year had fallen in Newry to under 3%, below the Northern Ireland average. That is an incredible transformation. Our concern is that that transformation will be put at risk. We accept the result of the referendum, but we wish the concerns of border communities to be taken into account by those negotiating both on behalf of the UK Government and the Government of the Irish Republic.

Companies represented here and all those that we work with employ skilled workers from a cross-border labour pool. Those workers take advantage of Newry's accessible east coast location: its motorway access north and south, its new rail station, and access to airports less than an hour from Dublin and Belfast. The vast majority of our businesses in this Northern Ireland border region are home-market or nearshore traders, and their ability to access nearshore markets is crucial to their competiveness, profitability and sustainability. Any disruption to trading modalities and especially to freedom of movement of goods and people will badly affect these vital companies. The weak sterling is a windfall for Newry retailers, but only as long as there is free unfettered movement of shoppers travelling up from the Republic, and no limits on how much product they can buy and bring back.

I have talked about the transformation being self-generated, and much of it has been, but Newry has been a beneficiary of significant investment by GB-based retailers. They came to Newry principally because of its locational proposition—to be able to service, from Newry, the large market south of the border—and that has been very successful for them and part of the transformation story of Newry.

But to conclude, the last military base outside Newry was only taken down in 2003. The motorway access that we now have to Dublin was only completed in 2005 and the railway station in 2008. These were transformational investments in infrastructure, in which the EU was a co-funder. Our view is that the sponsorship of external bodies is also part of the story of Newry's transformation. Thank you.

Chair: Thank you very much indeed. I am sure we will explore a number of those issues as we go on.

Q93 **Ian Paisley:** Gentlemen, thank you very much for your evidence. Irrespective of where we come from in this debate, you should hopefully be encouraged that we are aware of your concerns and that we want to be more aware of them and we want to be alive to the challenges that you identify. Hopefully our report and our inquiry will help us get that and help us seek clarity, because clarity is important for all of us in this debate. Peter, I have a couple of questions for you specifically about the port. 48% of your trade is with the Republic of Ireland. Could you give us a breakdown of where the remaining 52% is? Is most of that with mainland Britain, or is a lot of that with other EU countries?

Peter Conway: Perhaps I have misled you slightly. I mean the landward business that we operate. For example, our main maritime trade would be directly to Great Britain. Our roll-on roll-off service, which is a company called Seatruck, operate two vessels in both directions daily, with over 100 vehicles, to Heysham, which obviously is in Lancashire. Continuing on the maritime side, our major import of timber comes from the Baltic countries, so Estonia, Finland and Sweden, sometimes from Germany. We are also importers of animal feeds. That would be our second largest customer. That comes from France, Germany and Denmark. We also get big cargos from Brazil, Ukraine and Canada. It is not all European trade by any means.

That is the major concern the British Ports Association has—the maritime side. Unfortunately Warrenpoint, Londonderry, Belfast and Larne have a double whammy. We have got the landward trade coming from the Republic, and the concern would be if that trade is axed or restricted or confined in some way. For example, one of the customers of the port phoned me a couple of weeks ago and said, "We are very happy to come to Warrenpoint because we get very good value and service"—all the sorts of things you do to try to market a port. He was speaking from Monaghan and he said, "I take three loads of animal feeds a day. If this moves to two loads a day, I am going to have to take it from Drogheda, or Dublin".

Q94 **Ian Paisley:** Tell me why he would have that view. Why would he think it would go down? It seems to be a very pessimistic view of business.

Peter Conway: I am hoping that will not be the case. I am big enough to say, "Let's try to work this so that that is not the case. Let's look at examples in Norway and Sweden and see if we can use those or modify them, or use them in such a way that there are not delays at the border". Quite frankly that is the concern these people are expressing to me: if there are delays to do with checking or customs or security, as Conor was saying, this could impact on the economic viability of the port. Then there are the tariffs.

Q95 **Ian Paisley:** It is a fear of the unknown as opposed to a fear of specific problems.

Peter Conway: Some of these people are going back to before 1992. This is not really anything to do with the common travel area. This is really going back to the 1992 Single European Act, when all those controls were lifted. Indeed in the port my office was the customs office. They vacated it. I have only been there 11 years, but my predecessor decided to have that office as it is a nicer office than the one he had. But we are concerned. We hope that is not going to happen, and with judicious and optimistic thinking and lobbying, we can make sure that that does not happen. It does not have to happen.

Q96 **Ian Paisley:** If a person brings cargo from EU countries specifically—so let's not talk about Brazil or anything else—into Warrenpoint, is the documentation that comes in all electronic or is that physical documentation that your men check?

Peter Conway: Yes, it is mostly electronic, but the timber coming from Estonia, Finland and Sweden is a very good example. The main market for that is the construction industry, for housing. I am at liberty to tell you that my big customer there is a company called Forestwood; they are a Belfast company. They import 140,000 tonnes a year. 70% of that goes to the Republic. His concern is, if there are going to be tariffs, why would he bring it into Warrenpoint? Why would he not bring it into Dublin? That is the very fundamental concern I have. It is not that I have any great issue with competing against Belfast or Dublin; we have to do that. But at the moment we are competing on a level playing field.

Q97 **Ian Paisley:** Does the transiting of goods work like that?

Peter Conway: We are going to have to look at how that could work.

Q98 **Ian Paisley:** There must be other goods that transit on into Dublin anyway.

Peter Conway: There are no customs checks at all. If something is coming from Canada, yes we do have to. But it is coming into the EU and therefore the work that is done in Warrenpoint port covers it for going to either jurisdiction.

Q99 **Ian Paisley:** I serve as Chair of the All-Party Parliamentary Group for Timber Industries. There is a huge timber conference in London today. These issues are on the agenda, which I hope is of some encouragement. That group that you have mentioned I think is represented. Michael, I have a question for you about the evidence that you presented to us, which I found fascinating. To get a handle on your concerns, would it be fair for me to say that your main concern is about how your employment pool could be limited? That is one angle, and a second angle is that the products that you create and decide to sell into the market could be affected by different jurisdictions that you now have to sell to, because it may not always be the same rules that apply. Would that be a fair summary?

Michael Blaney: Yes, it is, in particular the regulatory piece; our registration with the Financial Conduct Authority in the UK allows us to passport into any other EU state. That means we can trade in any other EU state off the back of our UK registration. From a Northern Ireland perspective, having our head office in Newry, we find already that most of the major insurers operate their Ireland business unit on an all-island basis. The majority of the major insurers run a Belfast and Dublin branch office network, with most of them having Dublin taking the lead. That is going to be a significant change in terms of how they manage their business in Northern Ireland and the Republic of Ireland.

Q100 **Ian Paisley:** Without me inquiring into things that are none of my business or are business-sensitive to your company, what percentage of your customer base is Northern Ireland versus the Republic of Ireland? You may not want to answer that; it might be too sensitive.

Michael Blaney: No, no—the large majority is Northern Ireland based, certainly at the moment. What was probably particularly relevant in the course of this year was that we were embarking on a number of acquisitions of brokerages in the Republic of Ireland space, with a view just to operate in line with how our insurer partners were structured. We were at an advanced stage of negotiations with a number of acquisitions to increase our footprint, because there is a clear demand for the products that we have been selling successfully in Northern Ireland. There is a clear level of demand for those in the Republic of Ireland.

When the Leave vote came through, there was a bit of nervousness among the acquisition targets we had been speaking to. Subsequently with the currency fluctuations, the deals that we had hoped to complete have become significantly more expensive now. We have put that business expansion on hold for now until we see how things develop.

Q101 **Ian Paisley:** Are your products for sale outside Northern Ireland and the Republic of Ireland? Do you have customers beyond these shores?

Michael Blaney: GB, Northern Ireland, Republic of Ireland—those are our current markets. We do not have anything outside of that at the moment.

Ian Paisley: Michael, thank you.

Chair: Thank you very much.

Q102 **Lady Hermon:** It is very good of you all to come over so early to give us evidence on a Wednesday morning. We do appreciate it. May I start with you Dr Patterson, because you are in my clear line of vision here? You are described as the Chief Executive of Newry and Mourne Co-operative and Enterprise Agency. Could you just explain for the benefit of us all how broad that is? Newry we can identify, but how much of County Armagh is included within your area?

Dr Patterson: The organisation was the first local enterprise agency established on the island of Ireland, by local people. That model impressed people trying to invest, external investors and the Government, in the early 1980s to such a degree that the model was established in other council areas across Northern Ireland, with what were described as deliberative partnerships. These were partnerships that represented the mix of the two primary communities in Northern Ireland, and a mix of business interests, the community and voluntary sector and local government. There is a local enterprise agency in every council area in Northern Ireland and a local enterprise office in every county in the Irish Republic.

The relevance of that is that we partner with those organisations across Northern Ireland on many initiatives. We formed a federation in 2000, Enterprise Northern Ireland, to facilitate that. Our reach primarily is the now council area of Newry, Mourne and Down, which is large. It runs from Ballynahinch to Cullaville on the Monaghan border. We partner with Down Business Centre, working out of Downpatrick, in that work. We do lots of work with partners in Belfast and across Northern Ireland, in partnership with central government, EU funders and other donors, and across the island of Ireland. In the last 10 years especially we have been active in sharing the knowledge that we have developed in practice with partners across the European Union that are especially interested in the Newry transformation story.

Q103 **Lady Hermon:** Yes. You touched on a number of things there, and you did mention EU funding. How much have you received, and how valuable has that been to your co-operative?

Dr Patterson: It is not just funding. It is the focus of EU policy. My own perspective, based on 30 years of practice and experience, is that the EU has angled its policy in favour of our border region. The Interreg programme, for example, specifically targeted border communities across the European Union. By way of example, I was involved in leading the development of a border business park at Flurrybridge, on the main road now between Belfast, Dublin, Newry and Dundalk. At the time government funders were not particularly interested in investing in South Armagh. Our proposition to the European Union was that we could encourage people trading in the black and grey economy to move out into legitimate open trading and grow their businesses, and so it has been thus. But the intervention rate at that time for the first wave of development from the EU was 95%. We had a British army watchtower overlooking the field where we built the first unit. Perhaps that contributed to the intervention rate that we were able to secure. The policy context is very important.

Financially, we have secured funding from Invest NI for the Regional Start programme and from the sustainability programmes run through the Department of Enterprise, Trade and Investment, now the Department for the Economy. It is significant that those central government programmes were sourcing EU funds. When those funds percolated down to us as delivery agents, they had already been washed through with EU contributions.

Q104 **Lady Hermon:** How long into the future have you been able to secure funding from the EU? 2020? Are there projects that are in jeopardy immediately?

Dr Patterson: We did welcome the assurance given by the Chancellor. That was transformational. That has liberated delivery agents like us to get back into what we do: deliver support to communities and businesses. We have just secured, for example, a programme with IntertradeIreland, which will run up until the end of 2021. Our role will end at the end of 2020. That does give us time. The issue here is one of time and confidence.

Q105 **Lady Hermon:** Give you time to do what?

Dr Patterson: To reorient. We have driven down unemployment in Newry and achieved what we have in very difficult times.

Lady Hermon: You have done terrifically well.

Dr Patterson: We have got sharp elbows and broad shoulders. We will adapt. Our companies are very agile. It is the uncertainty, the insecurity and the pace of this that is important. We read, for example, about transitional periods, perhaps beyond 2019. That would be very important to allow companies and our stakeholders to adapt to new circumstances.

Q106 **Lady Hermon:** You very kindly told us in your introduction that you had reflected these views to various bodies. Have you reflected these views to not just the Northern Ireland Executive but the Secretary of State for Northern Ireland, or indeed the Secretary of State for Brexit here?

Peter Conway: Not yet.

Dr Patterson: We have met the Secretary of State in Newry. We have had less opportunity to meet stakeholders within the Executive, and that would be something we would much welcome.

Q107 **Lady Hermon:** Would you like to identify "stakeholders"? It covers a multitude of people or interest groups. Who do you particularly wish to speak to?

Dr Patterson: If the approach taken by the Taoiseach in the Republic creates discomfort for some in Northern Ireland political life, perhaps they could replicate that approach in Northern Ireland. What was striking about the civic dialogue platform was the number of stakeholders who were involved in it and the reach of it. Setting up that type of civic dialogue in Northern Ireland would be very important to us so that our voice was properly heard. We appreciate the invitation to speak to you. We have not thus far had the same opportunity within Northern Ireland.

Q108 **Chair:** You have or you have not?

Dr Patterson: Have not.

Q109 **Lady Hermon:** Does that mean you have not met with either the First Minister or the Deputy First Minister?

Dr Patterson: No. On this issue, no.

Q110 **Lady Hermon:** Anyone?

Peter Conway: No. As part of the CBI I was involved in a session about two weeks ago in Belfast with Simon Hamilton. He was very engaging and he listened to the concerns we had and some of the ideas and suggestions that we put forward. He is prepared to engage on that, and I look forward to further involvement with him. But that was as part of a group with the CBI, rather than with a Newry group, and that was me as Chief Executive of Warrenpoint Harbour.

Lady Hermon: In terms of the First Minister and the Deputy First Minister, have you asked for a meeting with them? It would seem sensible.

Q111 **Gavin Robinson:** You have got a constituency MLA in South Down who is a Minister in the Executive. What approaches have you made?

Dr Patterson: I do not want to disrespect those who hold political office, but in my experience the drivers within the civil service are most important in working through the detail. We would welcome the opportunity to engage with those people, who we understand are now beginning to work their way through the uncertainty, and to chart a path through this. We think we have a contribution that we can make to that work. I do not particularly want to get into a trade-off between who we have or have not seen politically. I do not think that is productive.

We are here to begin a process of engagement. We think there is much that our region can offer Northern Ireland. It is important for the stability of Northern Ireland that people living and working in the Newry border area feel that they have a stake in the Northern Ireland jurisdiction.

Q112 **Lady Hermon:** That is a really interesting reply. Sitting here we will not be offended by what you have said about politicians. That was really interesting. Can I just take you back to a little bit of your commentary?

You talked about the early days and how difficult it was to get funding. I am summarising here, so correct me if I am wrong, but one of the arguments you had made at that time was that it might persuade those who were engaged in the black and grey economy. May I ask you, without creating fear, is that a concern of yours if we do not look more closely, or if civil servants who are doing the work behind the scenes do not look more closely, at how we manage the border between Northern Ireland and the Republic of Ireland?

Dr Patterson: Yes. When the border was hard, smuggling was rife. I spoke to an academic friend in Dublin who put it very succinctly. He said that humans tend to game the system. If there are differentials, the risk is that people will seek to get round them in price. That is the reason we attract so many shoppers from the Irish Republic when sterling is weak. But if there are differentials as a result of tariffs, our fear is that that might encourage non-compliance. In our experience, non-compliance is corrosive. Part of our work has been to bring people in to the mainstream economy who are socially excluded, but also people who have great entrepreneurial skill. Part of the ecosystem in border communities is that people, especially where there is a dual currency zone, trade easily between the two currencies. They are making calculations in their heads all the time. It is harnessing that. Yes, it is a worry.

Q113 **Lady Hermon:** Very good. May I turn to you, Mr Conway? What you have said about the size, trade and business of Warrenpoint has been fascinating. Could I just take you a little bit out to sea, so to speak? We have already noted that there is controversy about Lough Foyle and territorial waters. Obviously if the UK comes out, that will have an impact in terms of the UK coming out of the common fisheries policy, as the Republic of Ireland will be staying in. Do you envisage problems with territorial waters beyond Warrenpoint?

Peter Conway: Yes. It is a very valid and topical question, because as you know there has been some speculation recently about Lough Foyle, and Carlingford Lough, which is where we are located, has come into the equation as well. Of course, as a port we not only handle the commercial side of the business but have a small fishing element as well, particularly shellfish and mussel fishermen, who use Carlingford Lough. We have a cruise element and a recreational element.

As it so happens, I am the chairman of the Carlingford Lough Commissioners, which is an august body that was set up in 1867 and has jurisdiction over the entire lough. As far as I am aware, that Act was never rescinded in the Republic. But I have to say, no one has ever really addressed that question. I am not a politician, but I have a little bit of knowledge of history, and as I understand it, in 1922, when the Boundary Commission was set up to determine the border between Northern Ireland and the Irish Free State, they spent a long time looking at the land frontier and they stopped when they came to Newry and Londonderry. Nobody ever determined the division in the lough. Certainly, as chairman of the Carlingford Lough Commissioners, we would say that our jurisdiction is the entire lough, from the 1867 Act. But I am not a lawyer either.

Lady Hermon: No, but it is on the record. Your view is on the record, and you have expressed it as your view. That is absolutely fine, thank you.

Peter Conway: I am not here to represent the Kilkeel fishermen, but Kilkeel is part of our South Down constituency, and there are grave concerns in Kilkeel about the issues relating to fishing rights in the European waters. I am sure the political representatives from Kilkeel are very aware of that.

Lady Hermon: Thank you so much.

Chair: I will bring Bob in.

Q114 **Bob Stewart:** Can I say, gentlemen, that we are very pleased to have employers—people who actually employ people in Northern Ireland and provide jobs—in front of this Committee? It is great to have you here. Thank you for coming what is a comparatively long way from your homes; thank you for that. Peter mentioned that you have a sort of level playing field at the moment, and Michael said he operates across Northern Ireland and into the Republic no problem. Do I take it, Conor, that, from the point of view of all of you, there are few obstacles to doing business as things stand at the moment? The border is, in business terms, largely irrelevant at the moment. Peter is nodding. Are you saying the same, Michael?

Michael Blaney: I would agree with that, yes—in its current form.

Dr Patterson: We have two currencies on the island. We have two fiscal systems, and business has adapted. I would say that trade between the jurisdictions is suboptimal because of those issues. There is no denying that if we had a single currency zone and a single fiscal zone, trade would be much easier than it is. That said, business has adapted to that circumstance.

Where it is most important for us is in the attraction of labour. We have two very large employers in Newry, one in financial services and one in manufacturing, employing thousands. For the manufacturer, more than 10% of their workforce lives in the Irish Republic and commute daily. For the financial services company, it is substantially higher. Their model is that they attract workers from the Irish Republic and house them in Newry, which has an enormous multiplier effect in Newry. These suited and booted people are housed throughout the urban area of Newry now, and spend their money in the bars and restaurants, which is a great boost to the local economy. But the numbers in recent recruitments would be relatively small from Northern Ireland—15%—and the bulk of their pool of high-end, numerate recruits would be from the Irish Republic. Free movement of labour is a key issue.

Q115 **Bob Stewart:** Thank you for that. I get that. That is really good. Thanks to the efforts of people like you, and changed political and social circumstances, the area of Newry and surrounding areas have hugely increased their possibilities for employment. What is the unemployment rate at the moment in the area?

Dr Patterson: It is 2.5%.

Peter Conway: It is virtually full employment.

Q116 **Bob Stewart:** That is very good indeed. That is what you are trying to protect. That is the thrust of your efforts in front of us: "Protect us, please", is what you are saying. Is there anything that could be changed to make the situation better, assuming we kept a level playing field? Is there anything that, in negotiation with someone, might be better?

Dr Patterson: Do not pull out of the customs union. It is the biggest fear that we have, notwithstanding that there are concerns around the handling of people movements. I do not want to diminish those, but prioritising across all the risks, the biggest risk is for us, and for the people we represent, a hard border with respect to the movement of goods. It is difficult to see how that could be managed without disruption. That would be our plea.

The issue, and we may come to it later, is that it is important to be sensitive to issues of national identity. I have been involved in peace building for 20 years, and this region was arguably the most insurgent, with the hardest of hard borders and the busiest heliport in Europe to service military watchtowers that used electronic monitoring. Yet that border was porous. It would now be accepted that all of that infrastructure was ineffective. That alienated people, and we now have a settled will, where people have the right to hold either national identity, Irish or British, or both.

I cannot emphasise enough that that plays into economic development and economic futures. I do presentations in schools, and a young person described it as, "Newry used to be good, became awful, and is getting better again". Now, it became awful during the era of the hard border, and all the consequences that flowed from that. It has become good again because of the dissolution of those barriers to movement of people and goods.

Q117 **Bob Stewart:** Do you keep the best and brightest from your schools? Do they stay in the area, or are they attracted to other places? Some will be going to Belfast, Dublin and London. But do a substantial proportion of your top students stay in the area?

Peter Conway: As Conor has pointed out, there have been a number of new high-tech businesses established in recent years, and many of them emanate from the entrepreneurial drive that has come from the region. We have some major companies, for example Norbrook, which is a veterinary pharmaceutical company employing over 2,000 in a small city like Newry. It is quite something. In that company they would have jobs for industrial chemists and so on.

We have to admit that the standard of education, even during the Troubles, in our secondary schools and grammar schools has really been up there in the top 20 in the UK. We are all fortunate to have children who have gone through that system. I am not saying that my children have come back, but they intend to. They are getting their experience elsewhere now. There is a lot to attract people to the area. We have got the Mourne Mountains. We have got a lovely environment. If the stability of the economy is assured, that helps the whole of civil society. I am not really a politician, but I can see that as a businessperson.

Bob Stewart: That is very helpful to me as a new member of the Committee. Thank you so much.

Q118 **Dr McDonnell:** You are all very welcome. The evidence that you have given us is fascinating. There are a couple of questions that I want to supplement, but a lot of the ground has been covered. We have touched on the need for movement of people, business and trade across the border. How dependent on that are you? I know you have touched on it, but just crystallise it. If there is a border, whether it is to customs or people or markets, how do you see that playing out in Newry? My colleague referred earlier to fears. Obviously at this stage we can only speculate. We can only give it our best guess. What would happen if we have change?

Dr Patterson: We have talked a lot about the financial services and manufacturing sector, but just to focus for a moment on retail, there are thousands of retail jobs in Newry. Many of them are part-time. I am not a person who demeans those jobs, because they are very important in contributing to household incomes, especially for young people and people who want to be able to work flexibly. Those jobs depend on Newry being able to attract shoppers from a very large hinterland. That hinterland is trans-frontier. At moments when the currency has shifted in favour of those selling products—when sterling is weak—we have benefited enormously. That presupposed free movement. It requires free movement.

The relevance of that to what we are talking about is, if there were controls on goods, what quantity of goods and which goods? Would it be those driving white vans or red vans? Would it just be the larger vans? Would it be smaller vans? Would it be freighters? What is a freighter? Does it include consumers, and does it include the very large pool of consumers that we attract from the Irish Republic? That is one direct concern that we have. We have major city stores in Newry, population 30,000, not because they are there to service the population of 30,000 but because they are there to service a consumer pool of up to 2.5 million. Even Belfast does not have that claim. Because we are midway between the two metropolitan centres on the island, we can attract people from both, and we do.

Q119 **Dr McDonnell:** Could I move on to a point that is fascinating? You said that unemployment in Newry was 30% in 1972 and is now 2.5%. I do not want you to be shy on this: why do you think that the highest levels of new start-up business are in Newry, and what do you think are the factors behind this?

Dr Patterson: It is complex and it has taken time. There is international interest in the story. I do not like to disappoint people, but I do say this has been a 40-year journey. It is not something that happens overnight. There are factors. Peter has mentioned one. There is an educational attainment ethic within the community. There is what academics describe as social capital, volunteering at so many levels.

It is interesting. We are now harnessing business champions to go into schools, people that have been successful in business, to say, "If I can do it, so can you". Grainne McCoy is still competing in "The Apprentice", facing Lord Sugar, and her story of becoming an unmarried mother at 16 and being able to transform her life, having gone to school in Newry, and her sense of entrepreneurship just crystallises all of that. We describe it as an ecosystem. There is a self-help ethic. But it is not just individuals left hanging; it is communities coalescing into organisations like credit unions or co-operatives, and the fact that people in business are civically engaged and concerned. All of that creates an atmosphere that is supportive, but it takes time.

Peter Conway: I would also use an example of my own situation. I am from the area; I grew up there. I went to school in Newry and then I went away, and I worked in a multinational oil business for 18 years. I have worked in other businesses, and then 15 years ago I came back because my children were small, and I wanted them to be raised in that area and to get the benefits that were accruing as a result of the changed circumstances. I have no regrets about that. That is a personal view, but there are many other examples of bringing back the skill set that you get when you work in other countries and using it locally.

Q120 **Dr McDonnell:** Thank you. Peter, you did mention Norbrook, but perhaps one of you could describe First Derivatives, and could I then ask you if any of your small businesses or microbusinesses feed employees into these bigger businesses? In other words, do the smaller businesses support or create the atmosphere that you are talking about by producing employees for the bigger businesses?

Dr Patterson: First Derivatives is interesting. It is a story of a returnee as well, and then a team of returnees from highly remunerated jobs in the City of London coming back to Newry in the mid-1990s, as the situation began to turn and improve, having a vision to grow a business that could service major banks and financial institutions globally from a Newry base. That vision grew exponentially in the 2000s and they now employ 1,700 people. All of those people are trained in Newry, and then they go out to financial centres worldwide to service clients. There are up to 200 here in the City of London and 700 in the US. That is not just financial consultancy; it is also financial software. They create the financial software in Newry. The team that they have attracted includes young people coming out from colleges across the island of Ireland. But they have also increasingly begun to attract people back with skills. That returner story is important as well.

Q121 **Dr McDonnell:** Is there much of a feed system from the smaller microbusinesses into them, or do they recruit directly from schools?

Dr Patterson: They recruit directly from universities, not from schools. But their multiplier is very significant. They buy their inputs, which tend to be from the service sector, and the hospitality trade in Newry benefits enormously from the business that that company alone generates.

Q122 **Dr McDonnell:** Michael, you mentioned telematics and young drivers. What is the implication of that? I did not catch the full detail of it. Could you maybe tell us?

Michael Blaney: Yes. It is just an area of innovation that we became involved in, mainly out of the frustration of not being able to provide competitively priced car insurance for the sons and daughters of our business clients who wanted to get on the road for the first time. There was always the issue of the young driver insurance market not being that attractive to a lot of insurers. As a result, they tended just to stay away from it and not engage.

Telematics technology, which some of you might know, is also referred to as black box technology, where they put a box in car and it monitors the skill of the driver. We moved past that to building the same technology but on a phone app, so it was much more cost effective. It meant that we were able to approach insurers for the first time and say, "Look, we have a way of being able to show you how good a certain driver is". They were also able to spot more reckless drivers very early on and decide not to insure them. It meant that for the first time probably they were able to see what was happening when a young inexperienced driver got in behind the wheel of a car.

When this technology came out we thought it was very exciting. We were the first in Europe with the phone app. We developed a data hub. We were the first in Europe with a live phone app linked to live insurance policies. Again, that links back into our engagement with schools and colleges around the road safety angle and explaining how this technology works, because there is a bit of a fear of the Big Brother aspect of it as well. We explain how we can make younger drivers more experienced much more quickly than would normally happen by engaging with them, looking at their driving patterns, telling them where they are going wrong and helping them to become safer more quickly. There is a knock-on impact on reducing road deaths, which has been a huge issue in Northern Ireland as well.

It is an area that Invest NI has been very supportive of. It also allows us to go to the careers conferences in schools and colleges and to go out with an interesting proposition for the talent that we have in our local area, to say, "Come and work for a local company". We have a range of jobs that are not perhaps call centre jobs that a lot of them would not necessarily aspire to. We have a technology-led solution that needs data scientists, people who can write computer programmes and all of that. We are really only on the cusp of that growth journey, and we are concerned that anything that comes out of the Brexit decision does not in any way impede the further growth that we hope to achieve.

Q123 **Dr McDonnell:** How far do you feel you have the monopoly on that app at the moment?

Michael Blaney: It is not so much a monopoly. With any of these things, others are very quick to catch up. We were certainly the first out there, and we have established a strong position in the marketplace and a reputation for knowing how to manage this data and how to produce profitable results for our insurer partners.

Q124 **Dr McDonnell:** How many people do you employ?

Michael Blaney: Just over 200 at the moment.

Q125 **Dr McDonnell:** You mentioned Newry, and you mentioned Enniskillen. Where else across Northern Ireland do you have bases?

Michael Blaney: We have Coleraine, we have Ballymena, and we have Downpatrick.

Q126 **Ian Paisley:** Just out of interest, is the policy only active and live if the phone is with the driver and is switched on?

Michael Blaney: No, it is not. The policy will still be active.

Chair: We are getting a little bit technical now.

Ian Paisley: I know we are getting technical; it is just that it is fascinating.

Michael Blaney: The point is you get a significant discount up front. But we do look for consistency of usage of the monitoring.

Dr McDonnell: My sense is that it is something like a tachograph, and if you can produce the right tachograph you get a discount.

Michael Blaney: Absolutely, yes.

Dr McDonnell: The onus is on the driver.

Michael Blaney: Yes.

Chair: Thank you for that clarification.

Q127 **Dr McDonnell:** If we go back to Conor, what foreign direct investment has there been into Newry? Is there much? Are you bringing in anything from the States?

Dr Patterson: No, not substantial foreign direct investment.

Peter Conway: For some reason, foreign direct investment always seems to come from America. But in the port two years ago we had a £3 million investment in a joint venture with a large Dublin company. Our importers of grain were building storage facilities and conveyers. They are now concerned as to whether they chose the right place to make this investment. However, they are very positive and they are determined that it is going to make a difference and pay its way. There is a very substantial return on investment, because of their decision to invest in Warrenpoint versus some of the other competitor ports because our cost base is lower. We are a regional port.

But we are also in the market for an £8 million investment for a company that wish to import a product for distribution, both north and south. This is an American company, and the involvement of the port would be to provide the land and the facilities, and the berthing. But they are prepared to do the entire investment. We are just keeping our fingers crossed that that is going to proceed.

Q128 **Dr McDonnell:** Thank you. I have one very quick final point for the benefit of colleagues here. I think I know the answer myself, but for the benefit of colleagues, how far are you from the Irish Republic? How far will you be from the European Union once we establish an exit?

Peter Conway: We are 13 miles by road and 50 metres by sea. If you take Carlingford Lough being a UK jurisdiction, which I do, we are 100 metres.

Q129 **Ian Paisley:** It is 30 miles to Scotland—I know the feeling.

Dr Patterson: Chairman, can I speak on foreign direct investment? We have had investors, but most of our growth has been with indigenous companies, and we want to hold on to that investment. We do not want to name companies, but in the consultations preceding this evidence this morning, some of our significant employers have communicated to us their worry that they may be forced to relocate some of their capacity, potentially into the Irish Republic. That would be a concern for us.

The other point to make is that Dundalk has been very successful in attracting foreign direct investment. Dundalk competes with Newry for scarce, skilled labour. The more of those investments that go to Dundalk, perhaps relocating from Britain to the Irish Republic, the more competition there is, particularly in the financial services sector, for what is a very limited pool of highly skilled people. Thank you, Chair.

Michael Blaney: Perhaps, Chairman, just to add slightly to that, it was reported in the insurance press that a number of insurance companies are looking to move their operations from the UK, due to Brexit, perhaps to Dublin as an additional centre. Certainly the director who runs the Central Bank of Ireland—the regulator in the Republic of Ireland—has reported that she has increased her staff numbers to deal with Brexit by 25% already. She has said that she is also staffing up further for the first half of 2017, because of the increased number of inquiries in Q3 this year. She went on to say that her sense had been that companies would not come and speak to the regulators until there was some substance over the outcome of Brexit, but the opposite seems to be occurring. That would be financial services companies who are considering their position here in London perhaps and looking at the need to maintain regulation within the EU.

Q130 **Chair:** In terms of your own business though Mr Blaney, would it be described as a service industry?

Michael Blaney: Very much so.

Q131 **Chair:** But to what extent is the single market complete with regard to service industries? My understanding is that it is not.

Michael Blaney: The large issue that is of most concern is the passporting one and the ability for financial services companies to be regulated in any of the other EU states, which in turn often makes them more competitive and, ultimately, able to offer lower premiums to consumers. There is certainly a view that, if they cannot continue to avail of some of the more cost-competitive regulatory centres—Gibraltar is one and Malta is another—that are used quite extensively, it will push up insurance rates within the UK market.

Q132 **Chair:** Why would it do that?

Michael Blaney: Because of the increased cost of regulation and higher requirements for solvency within the UK Financial Conduct Authority.

Q133 **Chair:** From where we are now, though?

Michael Blaney: Yes. If insurers want to continue trading, they will be forced to come back. It obviously depends on what happens. If a passporting-type arrangement is still available for the financial services sector, it may not become an issue, but it is certainly a concern in the industry.

Q134 **Gavin Robinson:** Good morning. You will be glad to hear that I have to curtail my questions because I have to go and meet school pupils from my constituency, but I appreciate your being here. On the point that you were discussing with the Chair, Mr Blaney, there will be no solution for financial passporting for the border region alone, so, from the perspective of this inquiry, it will probably not be one of our recommendations. On the interesting point that it is, though, given the importance of London's financial sector for the entire United Kingdom economy, are you involved in discussions with representative groups or trade organisations that are actively pursuing financial passporting capabilities with national

Government? Are you aware of where those discussions are at the moment or what scope there is to make sure you will have the capacity and the ability to trade the way you have been up until now?

Michael Blaney: Yes. I have been following the negotiations in which BIBA—the British Insurance Brokers' Association—has been representing the broking community. There has been quite a lot of significant negotiation already, and I have been keeping abreast of all that.

Q135 **Gavin Robinson:** Is there positive mood music at the moment, or do you feel a further push for financial passporting is required?

Michael Blaney: There is still a level of uncertainty as to what the outcome might be. From what I hear within the industry, the situation that we have at the moment in relation to passporting works very well, and there is a hope that the outcome will not be too different from the situation we have currently.

Q136 **Gavin Robinson:** I have an easy question for the three of you; we will start with you first, sir. We have talked for an hour now about the difficulties, the challenges, the things that cause concern and the issues that you wish to highlight from the border perspective. What recommendations would it be useful for this Committee to make? The other two get thinking time now.

Michael Blaney: For my sector, from my personal experience anyway, growth of talent is really important. We want to continue to develop that, develop the higher paid jobs, keep those people in our area and ensure that nothing happens to detract from that or cause us to go into a reverse movement. That would be one of the main concerns: the access to talent. That has been one of the big challenges for our area specifically, so we want to make sure we can continue developing in that direction.

Q137 **Gavin Robinson:** Peter, you can answer that question as well, but port authority regulations were due to change because of European Union regulations that have been proposed in the last six or nine months. How do you see that continuing? What is the path for those regulatory changes, if we are leaving the European Union?

Peter Conway: A number of new regulations and some directives have been issued through the European Union, and in fact a port services regulation was passed quite recently. The UK position was that we were not very comfortable about it; this is across the industry. It has been modified to take into account the concerns that the UK ports have in this area. We understand that that regulation is going to be passed into British law and we will have to deal with it, even though Brexit is perhaps a little further down the line.

Throughout my 11 years of involvement in the industry, we have had to deal with a lot of EU regulations, and to some extent they are beneficial to the industry, but you must not forget that, in the United Kingdom, 97% of all goods go through our ports. For an island nation, it is vital that this is protected. The concern in the industry really is the tariffs, more than these regulations.

Q138 **Gavin Robinson:** I asked for two reasons: first, in the interests of the inquiry; but, secondly, I have a port in my constituency, as you can quite well imagine. When it comes to recommendations from this inquiry, what are the key considerations for you?

Peter Conway: Again, I can speak to some extent on behalf of the BPA, and I have been mandated to do so. Both organisations—the UK Major Ports Group and the British Ports Association—are in discussions with the Department for Transport and the Minister, and indeed have meetings scheduled with the Brexit Minister as well. Various options are being looked at; the Norwegian/Swedish option is one that certainly seems to be gaining some support, because, of course, Norway has access to the single market. Whether or not that comes through at the other end is hard to know, but it at least leaves the movement of trade between Norway and Sweden fairly unrestricted, as it currently is between the Republic and Northern Ireland. That would be between the maritime side of British ports and ports in the European Union.

Another idea that has been mooted—no decision has been made on it yet—is that some ports in Britain might look to free port status. Free port status is a bit like going back to the 1930s in Shanghai, Hong Kong and so on. There are merits to looking at that. To the example of transiting goods, which Mr Paisley asked me about earlier, it could solve that issue if it was introduced. Warrenpoint and Derry in particular might well be suited to that model. It is early days, but we are looking at how to progress and trying to think of solutions rather than looking at all the problems.

Q139 **Gavin Robinson:** Conor, you have already said that customs union would be one of the key considerations for you. Are there any others?

Dr Patterson: I would summarise it as special status. I do not think it threatens anyone’s political identity to acknowledge that Northern Ireland is unique within the UK jurisdiction. There is precedent: the Good Friday agreement has special status; it is a unique constitutional framework. It was underpinned by the Special Support Programme for Peace and Reconciliation, which was an acknowledgement across the EU that Northern Ireland had special status.

Without getting too melodramatic, if Nigel Farage can wield his British passport, I can flourish my Irish passport. I am Irish. I live in the Northern Ireland jurisdiction of the United Kingdom. I was free to express my Irishness, as a result of the Good Friday agreement, on an equal basis, on the principle of parity of esteem with those who felt themselves British, within that jurisdiction.

Q140 **Gavin Robinson:** That is not going to change. You will still hold your

Irish passport, and you will still have your European citizenship as a UK resident. That is still going to be the case. When you say "special status", of course, the discussion then emanates from that: what does "special status" mean? Does that mean that Northern Ireland remains a member of the European Union in some way, or does the European Union accept that it should give entitlements and access, even while the UK does not have them?

Dr Patterson: The latter, as you describe it: the European Union would acknowledge Northern Ireland's unique challenges and that position would be supported by UK and Irish government negotiators. I also want to say, for those of us who have an all-Ireland perspective, that that does not threaten the national identity of those who have a UK perspective. This has worked; it has worked well in our community. But it is not in the interests of Northern Ireland that the Irish Republic's economy suffers. We rely on the wellbeing of the Irish Republic in every respect. The more money that the consumers we attract into Newry from the Republic have to spend from a healthy economy, the better.

One of our big fears is the implication of this for the Irish economy. As we discovered in the economic crisis of 2008-2009, Northern Ireland—certainly our region—suffered badly when the economy of the Irish Republic crashed. This national identity position is a point I make only to reinforce the importance of stability. This is not about rewriting constitutional agreements; it is about underpinning and reinforcing them.

Q141 **Gavin Robinson:** I am not sure that that in any way answers the question that I asked, but I think you felt you needed to get it off your chest, so it is on the record.

Dr Patterson: Perhaps I strayed into politics; that is what politicians do very well.

Q142 **Gavin Robinson:** You did, and let me say how confused I am. You started off by saying that you are not political and you leave politics to politicians. You then said in your evidence how great it was that Enda Kenny had a forum and that he was engaging politically. You then said you had had no engagement with the Executive. When asked whether you had tried, you said, "No, there is no point: why would you engage with politicians? You should engage with officials". Which is it? Do you think it would be useful to engage with officials? Have you engaged with officials? If the forum was so great in the Republic of Ireland, why is it that you rule out such engagement with politicians in Northern Ireland? It is quite confused, so I would really appreciate it if you could be less political and just answer my confusion.

Dr Patterson: There is a lot packed into that series of questions.

Gavin Robinson: There is.

Dr Patterson: What is politics? If I can clarify, I am not a professional politician, but, in my experience, the distribution of economic resources is itself political. Much of what we do, in the strict definition of what "political" means, is political. If the implications of this affect the economic gains that we have made, and if that requires me or others to be, as you define it, political, we will be political. I hope to step back from having to make those types of statements and get back to where we were before this crisis erupted.

Q143 **Gavin Robinson:** We are having this inquiry because we are interested in the land border and land border issues. We are interested in getting evidence, to hear what from your perspective it would be useful for us to articulate, on behalf of border regions, as part of the negotiations. I just ask you to confirm this: is all the political commentary that you have made representative of Newry and Mourne Co-operative and Enterprise Agency, or is that a personal view?

Dr Patterson: It is representative of the discussions that I have had with my board, but not uniquely—

Q144 **Gavin Robinson:** I am asking: is that the official position of Newry and Mourne Co-operative and Enterprise Agency?

Dr Patterson: Is what?

Gavin Robinson: All the political commentary that you have given in evidence today.

Dr Patterson: Not the flourishing of the passport, because not all of my board hold the same position as I do. That is the great success of what we have achieved over the last 20 years.

Gavin Robinson: It will be instructive as to the weight and importance we place on the evidence that you have given, but thank you very much.

Q145 **Nigel Mills:** I would be keen to explore what the practical issues will be if we leave the single market and the customs union. Mr Conway, can you talk me through the process when goods currently come in? I think you said timber comes in from Latvia, Lithuania, Estonia or somewhere. What has to be done, compliance-wise, as you move that into the UK and into the Republic?

Peter Conway: It is really no different from the current situation of goods moving back and forth across the Irish border. The only difference is that it is a sea border. All the goods that arrive in the port or are exported from the port to other European countries just have to have manifest information, which is important in the event that the vessel is in trouble at sea, and tonnages and so on. But there are no customs implications at all.

Q146 **Nigel Mills:** Presumably somebody has to do a VAT declaration somewhere.

Peter Conway: Yes, sorry, there are different VAT levels, and the shipping agents would handle that. For example, if we have a vessel coming from Canada or the Ukraine, there are customs forms that have to be completed and are used for the documentation to support the cargo. There are various rules and regulations with regard to environmental and health and safety checks; in particular, vermin might be coming on a cargo from a tropical country. Of course, because the EU environmental and health and safety regulations are across the entire Union, those checks are not required for marine traffic emanating from or going to European countries.

Q147 **Nigel Mills:** How long do all those checks take? Is this a five-minute, "have a quick look" kind of check?

Peter Conway: At the moment, because so much of the trade is within the European Union, and it is very much the exception, we do not have a customs presence at the port at all. They only come there on spec. The documentation is electronic and is handled by the shipping agents, so there is no great concern about that.

Q148 **Nigel Mills:** Okay, so even for the Canadian and Ukrainian imports it is not that difficult to achieve, basically.

Peter Conway: No.

Q149 **Nigel Mills:** If you had to check that there were no tropical diseases in the timber, if we were outside the customs union or the single market, would that be an onerous check?

Peter Conway: I will use the example of the grain again, where it is comingled and then dispatched to the agri-foods sector in both jurisdictions. It is quite possible that it would have to be separated and segregated if it was going to the Irish Republic, particularly if there were different rules and regulations governing its quality and status, should the two systems diverge in future. We may have to have separate storage facilities.

Then there would be another problem. Take the timber as an example. If it is coming in from Estonia and 70% of it is going to the Republic, is there a tariff when it comes in? Do we then have to issue other documentation when it crosses the border? This is why the free port status might be a solution to that.

Q150 **Nigel Mills:** Is there not also temporary transit relief? It would be a huge problem for Rotterdam, in reality, if they had to charge EU customs duty on everything that was coming on to the UK, then credit it back and we charge our own duty. I cannot believe that that is how ports that serve more than one customs zone work.

Peter Conway: The concern among UK ports is that the return to that level of checking, administration and extra burdensome tasks is going to be costly. If it is costly, in the end it is the consumer who pays; that is the concern. There are bound to be opportunities to look at different ways of handling that. The Single European Act came in in 1992. We have moved a long way along on the technology front since then, so presumably newer and better solutions can be found.

Q151 **Nigel Mills:** Mr Blaney, do you currently sell insurance to Republic of Ireland customers? Is that something that you do?

Michael Blaney: Yes, we do.

Q152 **Nigel Mills:** And you use your EU passporting right to do that.

Michael Blaney: Yes.

Q153 **Nigel Mills:** Is there any bureaucracy that you have to complete before you are allowed to market to customers in the Republic? Is it just automatic: you can just sell them insurance? Do you have to do anything with the Irish regulators?

Michael Blaney: We comply with the regulations laid down by the UK FCA. As part of that, it gives us our passporting authority, so it allows us to trade in that region as part of our regulation. It is an inherent part of the regulation that we currently have.

Q154 **Nigel Mills:** You have no obligation to tell the Irish authorities that you are trading in Ireland or anything.

Michael Blaney: No.

Q155 **Nigel Mills:** Do you have to tell the UK authorities or get any permission to start trading abroad? Is that just automatic?

Michael Blaney: Yes, we make them aware of which EU states we want to passport into. We need to have the passporting states detailed on our UK registration, which for us is just the Republic of Ireland. That is the only EU state we are currently trading into.

Q156 **Nigel Mills:** Are the rules the same across the EU, or are there some places where it is easier or harder to trade as a non-resident? Have you looked?

Michael Blaney: I do not have direct experience of trading in any of the other EU states, but I know that, if we wished to passport into France or Germany, for instance, and take products into that market, we currently could do so, off the back of our UK registration, just by extending our passporting authority.

Q157 **Nigel Mills:** Do customers like it? I get a bit nervous when I get my travel insurance and it appears to be from a Spanish underwriter. I think, "Oh, what happens if I claim and they say no?" Is there any trading disadvantage to not being domestic?

Michael Blaney: Travel insurance is quite a good example, because you see ads on a lot of trains for very cheap European travel insurance, and it is very often, as you say, a Spanish company that is regulated in the EU market. Because the regulatory burden is quite a lot lower than the UK, it allows them to offer cheaper rates into the marketplace. In the eurozone, the situation around the E111 and the EHIC—the European health insurance card—is an additional large consideration for keeping the cost of travel insurance down. It is a combination of regulation and the additional benefits of access to the E111 and the EHIC.

Q158 **Nigel Mills:** You are an insurance broker. Would you be slightly nervous if a Cypriot insurance company was offering cheap car insurance in the UK market? Would you be thinking, "I'm not sure we want to sell that"?

Michael Blaney: We would always look at the financial strength and stability of any insurer that we trade with; that is extremely important to us. Consumers will drive demand, and there are a lot of online insurance offerings that, in order to bring themselves down to the most competitive pricing level, tend to look for the lowest cost base to operate from. Yes, of course we would always consider financial stability and strength, and we get that from the UK FCA, which provides an indicator as to the financial health of the companies we are engaging with.

Q159 **Nigel Mills:** On the flipside of us wanting passporting to continue into the EU, we might not want to let unfettered, slightly dodgy insurance companies, which perhaps do not have that level of robustness behind them, sell products in the UK. It is a bit of a trade-off, I suppose.

Michael Blaney: Certainly not. I think you will find that, with the access there is and the internet becoming an ever more attractive place to purchase lower-cost insurance, they sometimes may not consider the quality of the underwriter behind the offering.

Q160 **Lady Hermon:** I have a short comment to make. I have to say I found your evidence about the importance of your identity very instructive. Would it be fair to say that you feel that one of the key elements of the Belfast agreement—the Good Friday agreement—was that it recognised both one's Irish identity and British identity, and also one's identity within Europe? Would that be an accurate reflection of how you felt about the agreement?

Dr Patterson: Yes, and its relevance to this evidence today is that it interlocked with the progressive stabilising of our political setting and the issues that we had with disaffection within the community. That had beneficial economic outcomes. Thank you for the opportunity to clarify the relevance of the point I was making.

Lady Hermon: I think I got the relevance.

Dr Patterson: We do not want to raise these issues again. They were settled, and so much so that our data reveal the positivity of what this could achieve. When I say that the numbers do not lie, it is a truism perhaps, but it is so much the case with the region that we live and work in.

Q161 **Lady Hermon:** My final point, then: you will be aware that a number of Government Ministers, including I believe the present Prime Minister, have emphasised the fact that we have the common travel area between the Republic of Ireland and the UK, and that that is not going to change.

Does that give you a sense of reassurance, in terms of the free movement of Irish citizens?

Dr Patterson: The common travel area is important. I think the estimates are that 400,000 people born in the Irish Republic are currently living and working in Britain; their status is important. In terms of the focus of this Committee, it is honestly a bit of a red herring, because the border was very hard throughout the 20th century, with the putative common travel area. We had the Second World War, for example, when the Irish Republic was neutral and the UK, including Northern Ireland, was a participant. There was no common travel area then. We had armed patrols on the border throughout the 1950s and 1960s, before the Troubles. In terms of its relevance to what we are focused on, it predated anyway the joint accession of the two states, Ireland and the UK, on the same day—so interlocked are they—in 1973.

The difference now is: if the Irish Republic remains in the EU as it intends to, and the UK leaves, what is the relevance of a common travel area as previously defined? It would have to be completely reframed, in the context of the other EU member states being comfortable with the Irish Republic having this unique bilateral arrangement with the UK. That is the concern around the common travel area.

Lady Hermon: Absolutely. The evidence we received last week confirmed, of course, that it has no statutory basis in law; practice and procedure, yes, but it does not have a statutory basis. That is fascinating. Thank you very much indeed. I am glad you had the opportunity to say that.

Chair: Gentlemen, thank you very much for your evidence. It has been very useful to the Committee. Thank you very much indeed.