Northern Ireland Affairs Committee

Oral evidence: Future of the Land Border with the Republic of Ireland, HC 700

Monday 16 January, Londonderry.

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Listen to the meeting

Members present: Mr Laurence Robertson (Chair); Tom Blenkinsop; Mr Gregory Campbell; Mr Stephen Hepburn; Danny Kinahan; Jack Lopresti; Dr Alasdair McDonnell; Nigel Mills; Bob Stewart.

Questions 296 - 365

Witnesses

I: Michael Gallagher, Strategy Manager, and Richard Osterhus, Funding Manager, Derry City and Strabane District Council, and Michael Tunney, Head of Enterprise and Economic Development, Donegal County Council.

II: Toni Forrester, Chief Executive, Letterkenny Chamber of Commerce, and Sinead McLaughlin, Chief Executive, and Gavin Killeen, Member, Londonderry Chamber of Commerce.

Written evidence from witnesses:

– Derry City and Strabane District Council

Examination of Witnesses

Witnesses: Michael Gallagher, Richard Osterhus and Michael Tunney.

Q296 **Chair:** Gentlemen, thank you very much for joining us. You are very welcome. As you know, we are looking into the future of the land border with the Republic of Ireland and we are very pleased to come to what is a border area, as it were. We wanted to come out, see, get the feeling on the ground and get the experiences of people who live and work in this area. I would like to put on record our thanks to the powers that be for the use of this wonderful hall and also to the Deputy Mayor for welcoming us an hour or so ago.

Can I ask you each in turn, perhaps starting with Mr Tunney, to introduce yourself, tell us a little bit about yourself, your own position and your organisation? Thank you very much for joining us. Mr Tunney.

Michael Tunney: Thank you. My name is Michael Tunney. My role is Head of Enterprise and Economic Development in Donegal County Council.

Donegal County Council is the statutory local authority for all of County Donegal. Over the last number of years, the role of the local authorities in the Republic of Ireland has been somewhat aligned to the UK and also Northern Ireland, and there has been a change in Northern Ireland so there is very much a stronger emphasis in the local authority in Donegal on economic development. We are funded from a different department specifically to support small and microenterprises in Donegal so a heavy amount of resource is focused on that. That is an area that I have been involved in directly myself for the last 20-plus years in Donegal.

We provide a suite of supports to businesses in the county and we are the first point of contact for any business in the county, either existing or new. Under economic development I would also manage publicly owned land in Donegal—buildings and property and any large sites, from half acres to the largest one being about 150 acres—for any inward investment or property development. Tied into that, we also have a range of cross-border programmes, international and European programmes, revolving around enterprise development and looking at best practice.

Under economic development, we also have our diaspora project. We would work with Derry on some elements of our diaspora project, trying to tie in to the Donegal diaspora for the mutual benefit of Donegal and the diaspora as well, obviously with a slant on economic development and community and cultural development too.

Danny Kinahan: Can I ask a question?

Chair: Can we have the introductions first? Or do you want a point of clarification?

Danny Kinahan: It was a follow-up to that.

Chair: We will just run through the introductions first. Mr Gallagher.

Michael Gallagher: My name is Michael Gallagher. I am the Strategy Manager in Derry City and Strabane District Council. I have been there about a year. My background is in economics; I am a trained economist, so I do most of the work around the community planning, the strategic growth framework that you see, and I was one of the principal authors of the report that you were issued with today. That is my role within council.

Richard Osterhus: My name is Richard Osterhus. I am the funding manager for Derry City and Strabane District Council's Strategic Finance and Funding section. Our role is to focus on maximising the council's resources and attracting additional resources, funding and investment opportunities into the region. Prior to joining the council in 2012, I gained 16 years' experience in the industry, so I moved from the private sector to local government.

Chair: Thank you very much.

Danny Kinahan: Thank you, Chair. Sorry to have interrupted; I did not mean to do that, Mr Tunney.

My question is very simple. How far does the diaspora stretch? Is it just into Donegal or further?

Michael Tunney: It is a Donegal diaspora project so we are trying to contact the Donegal diaspora around the world. In that context we would have an Irish Diaspora Award and it is named after Tip O'Neill, the famous Democrat in the United States. Through that, we are trying either to build up a database of anybody who has direct descendants or would have close contact with or any affinity with or want to do work on behalf of Donegal.

It is trying to develop a database of people who can influence, or bring influence to bear, on behalf of Donegal. A lot of it is that personal contact and the soft side of making people, the diaspora, know that they are a diaspora and we want to be in touch with them, but then at least the harder side as well. For example, in November, Derry City and Strabane District Council, along with Donegal County Council, were over in Boston and there was a diaspora element to it but there was also an investment element to the trip.

Danny Kinahan: Thank you.

Q297 **Chair:** Perhaps I could come in now and ask maybe for you to give us some general ideas of your concerns or aspirations following the vote and following Brexit. How do you see it? Mr Gallagher, we will start with you.

Michael Gallagher: I suppose we were unprepared for the vote. We were not expecting it to go the way it went, regardless, so we went looking at various reports, as you do, in terms of literature reviews, to see what it would mean for this particular region. We have been involved in a wide-ranging consultation exercise since then, talking to people in industry, education, health and environment, on a cross-border basis in collaboration with Donegal County Council.

What is emerging from that work is, I suppose, a view that the uncertainty about what Brexit will mean makes it very difficult for businesses in particular to proceed. So our job in the two councils has been to try to bring some information to people, some data, some perspective and insight into what it might mean in the longer term, particularly for this region. What I would say at the outset, as you will hear later on regarding the number journeys across the border, the way people work here, is that it is fundamentally different to many other regions. What I mean by that is that very many people here left about 10 years ago when housing was expensive here and relatively inexpensive, or less expensive, in the Republic of Ireland. We had quite an exodus of people to satellite villages, which are probably three to four miles, or 20 minutes' drive, from here. Many of those individuals work in Northern Ireland.

Just to give you some idea of the complexity of living in a border region like this, within this urban setting, this conglomeration of cities, people work here—they may be working in the health service and we have spoken to Health and they are very concerned about this—they are earning in sterling, they have purchased a house in euros, they are driving a car that is registered in the Republic of Ireland. When exchange rate volatility happens, as it did quite recently, they face very many challenges about how they can manage their lives, essentially. It is quite different to other areas in that we are so proximate to the border.

That gives you some idea of the complexity. We have a region here of about 350,000 people. When you look at the number of cross-border journeys, it is in the region of 300,000 per week for the three main border crossings. That is just here, locally, close to the city. It gives you some idea of how things work. Individuals get up in the morning, leave, and come in here to work. Their children may be attending second-level education here. They may have an intention that their children may go on; for instance, those people who live in the Republic are getting free fees in Scotland. They are travelling to Scotland.

There is an interconnectedness there that you do not get elsewhere. They are accessing healthcare here; they are accessing education; they are also accessing leisure services; and vice versa. We have lots of people now who are travelling to areas such as Letterkenny. There is a number of large multinationals there, employing thousands of people. As the city becomes more skilled, with that interaction, the cross-border movement, Brexit brings a degree of uncertainty to individuals and also to businesses, as you might understand.

One of things I would like to raise is around the retail sector. When Brexit occurred, the currency, sterling, weakened. We saw an upsurge of shoppers into the city here, particularly from Letterkenny and that is a good thing, I suppose you could say. Unfortunately, it is a loss to Letterkenny. When people move from somewhere like Dublin to Newry, it is a net injection of capital into Newry. That tends not to be the case here. We are an economic region and people moving from 28 miles away and spending their money here, or moving from here and spending their money there, it is not a net injection of capital. It does not benefit anyone.

The corollary of that, the worry for those retailers we have spoken to, is that particularly multinationals are not sure whether that will continue or not. No one knows what will happen to the exchange rate. There is some guidance from the OBR on what that might be but these retailers are wondering, “Should we invest, given the volatility of the currency?” and these movements take place very rapidly with extremely large numbers of people moving. The exchange rate last year was 141 and it has now dropped to 115. As you can imagine, that is a massive difference, and I come back to the point of those people who are working here and living in the Republic: if you think that their mortgages are in euros and they are earning in sterling, they have seen a loss of real income of around 15%.

I am just trying to give you some idea of the conversations we are having with people about the complexities of life in a region such as this.

Chair: That is very useful. Thank you. Mr Tunney?

Michael Tunney: As Michael was saying, initially I am not sure the decision was unexpected but it definitely was a shock; sometimes you felt it was going to happen. In the case of Donegal and in the context of the work that we do with small businesses, at a very early stage we carried out a very short survey of our client base, which, as I said, is made up of microbusinesses in the main. They initially indicated that they did not have too much concern. “One”, they said, “we are used to dealing with sterling; we are not big enough to hedge but we know when we are pricing that we build in a certain percentage here for a change in it”.

The majority of our client base who export—that is about 80%—95% of that is going to the UK. They are not big firms; some of the issues are relevant for the very large companies and they are very different from the small companies that basically do not have the resources to plan and forward buy and whatever else. So our business community initially was saying, “We are not that worried but when we know, maybe then come back and tell us what we should be doing to prepare ourselves to either stay in the UK market or in the intervening period, help us to look at other markets”. I think that is what the report also says one of the issues might be.

Maybe one of the things around Brexit, the opportunity that might arise out of it, whatever the outcome might be, is that it might force the public sector north and south to look at why have we not got more small businesses exporting into other places rather than to our nearest neighbour and our nearest market, because obviously that is something you look at and say we feel, probably, for our small-business community across the border, on both sides.

The big concern, obviously, for a lot of businesses and, I think, the public sector in Donegal County Council is anything that would inhibit or restrict movement of goods and people. As Michael has said, we all have family and we all have kids who either come or go across one way or the other for education or work, and shop or leisure, so anything that is seen that would restrict that, whether it be on sending goods out of Donegal or trying to attract visitors in, or FDI, that is the critical concern for the region.

Historically, if you go back—I am sure a lot of you are familiar with this—Derry was the centre of this region; going back to the 1700s, 1800s, Derry was the industrial centre from which industry spread into East Donegal and North Donegal and into Tyrone. Whether it be linen and flax or shirtmaking, Derry was the centre for that. Around the Foyle, Finn, Derg, that river basin, is the natural catchment area. There is also very good land in East Donegal and Derry. It is a natural hinterland for business. There is already the border there but if you put a very hard and restrictive border, it is going to make that local economy very difficult to sustain.

Q298 **Chair:** Thank you. There were some good points raised there regarding movement, and people working on different sides of the border, accessing services. Obviously they are doing that now even though technically there is a border there—a political border, maybe, if not a physical border as such. So the question I am putting to you is: does anything much need to change? There are barriers: different currencies; as you acknowledge, there is a border there. They are two different jurisdictions. Does it need to change? You might want to ask me, as a politician, that.

Michael Gallagher: The optimal outcome for the city here is that nothing changes because it is working quite well. We have the local educational institutions working on a cross-border basis; the local health service is working on a cross-border basis. We would like to see further integration of all of that. We would like to see skills improvement. The challenges that both areas face—we have the highest unemployment rate of any parliamentary constituency in the UK and some are affected in Donegal—there is a lot of work to be done there in terms of improving the quality of life for the people who live here.

It is a wonderful city, but we are in a post-industrial world here. We sell clothing and textiles and all those firms are closing. We have not really seen a replacement for that. We see some evidence of the knowledge based economy. You will have seen the science park and the investment there; there is investment in research around transformational clinical care. However, we are only putting in place the beginnings of that. As you know, we have seen some development on the Ebrington site. There is planning for grade A office accommodation there. We would hope that none of that would be retarded by any changes that might occur through this.

Michael Tunney: You say, "Does anything have to change?" Ideally, no, but that is not for us or the people living in the north-west area of Donegal to say. That will be a political decision and hopefully the right decision will be made. I think that is both sides. Whether that is a European decision or a British Government decision, a soft border, whatever that is, very little change, is what we want to see.

For this region, the critical thing is around critical mass. We are peripheral. Donegal is very peripheral on the island of Ireland and in the Republic of Ireland. Almost all our land borders with Northern Ireland. Derry is peripheral in the Six Counties and in GB. Therefore, for us, we need a critical mass of people, of businesses, of students, of third-level education, of health care, and that is what Donegal County Council and Strabane District Council as an area, indeed even going further south into parts of Tyrone, gives us, a critical mass working together, whether it is health care, education or economic development.

If we split that, it is going to make it extremely difficult. When the Celtic Tiger was roaring, it just about got a paw around Donegal. Thankfully, it never got to roar so we did not have the biggest—but there is a time lag in the north-west from the benefits of the east coast and even the EU, so anything that would hinder that or limit us, we would love to see not happen.

Chair: Thank you. Danny.

Q299 **Danny Kinahan:** Thank you. Very good to be here. I am not in Londonderry often enough. I am also incredibly impressed with the report you put together. It is a really good, thorough, report.

I wonder what opportunities have you had to talk to the Executive at Stormont or even Westminster, apart from today, to get your points across? Have you had enough meetings, or is it something where we are failing and not listening to you?

Michael Gallagher: No, we have had a number of opportunities to input into the process. We have made a submission here and we will be meeting one of the other Committees within the next month. Lots of work goes on and we are working with Belfast as well in terms of being the two major cities here in Northern Ireland. Given the unknown nature of what we face, we are doing what we can, which is providing an evidence base and beginning to look at what the complexities of life here are and how they might be affected once we know more about what Brexit will look like. Hopefully we will know that; by tomorrow would be great.

What business people are saying to us in general is, "We would like this to happen quickly; whatever it is, get it over quickly. We do not want a long, drawn-out process because it is difficult for business to plan for". So, as much information as possible and as quickly as possible. I suppose that is a bit contradictory in a sense from business but they do not like uncertainty; they like to be able to plan. So whatever it is going to be, let us know now.

Q300 **Danny Kinahan:** Belfast City Council was at Westminster two months ago. Do you have plans to come and put your case there? We should be able to help you.

Michael Gallagher: Any invitation would be welcome. The chief executive is not able to be here today; nor is the chief executive of Donegal County Council. That would be fantastic. I would like to have an opportunity to give a sense of the place and how it would benefit from a soft Brexit, with very little change, but there are opportunities there and that is something we can talk about later on.

Michael Tunney: On that topic, under the North West Strategic Partnership—that is with the two councils, the elected representatives and the executives, working under the strategic plan for Donegal and Derry—we have had a meeting with executives, so the department representatives from Northern Ireland and the Republic of Ireland, and again it was to try to get them to understand and appreciate the place-based approach that we had, the city region, that was developing in the north-west, as the first step.

Obviously, Brexit is something that probably is now deflecting us from what we were trying to do in that. It would be important again if we could take that to Belfast and London to explain that in more depth and how Brexit might affect what we are trying to achieve.

Q301 **Danny Kinahan:** It is slightly more complicated, given that the options seem to be that we are either in with Ireland or in with the UK or there is some fudge in the middle, and it is likely to be the latter. Have you got teams looking at, and have you got suggestions as to how we deal with, people crossing the border if we have to have some form of electronic border? Have you got teams looking at how to deal with each of the different problems or is it too soon to ask you to do that?

Michael Tunney: In Donegal County Council we have a small team, that is one person, working along with Michael in Derry, working on initial studies and trying to find out what is the current state of play.

We had a conference organised in Donegal in December and one of the speakers there was addressing that issue around how you control movements across the border. It was looking at what is best practice or international practice. My take from that, and I think the report might indicate it, is it looks more like her line was: if you want to control movement of people, you have to something like a hard Brexit. But how do you do that to limit the effect on people and particularly on business, which is the business concern? Obviously, we will be looking at that but when the decision is made, once we know, people can then start and say, "We know that. What are the implications?"

Resources are limited and as Michael said it was a surprise so to start putting people behind it—it is not the area that necessarily people in local authorities would have knowledge about, so we have to look for that knowledge outside.

Richard Osterhus: Maybe I can give you some examples of the practical and infrastructure issues we might face if it was something other than a soft option.

There are three main border crossings for which we have figures from Department for Regional Development, which is now the Department for Infrastructure. These are from 2015. Michael alluded to them. Per week, there are just over 326,000 traffic movements across three crossings, which are Muff to Culmore, Derry to Bridgend into Donegal, and Strabane Lifford. That equates to roughly 14,000 on average per day. We have looked at this in the sense of some infrastructure planning considerations, should it be anything other than a soft border.

I give you the example of Strabane Lifford. The A5 passes directly through the top of Strabane town. There is a major intersection there, which is only 800 metres from the border. We are currently looking at that. Any minor incident, which causes a slow of traffic, within, say, two minutes, you would have a mile to two-mile tailback very, very quickly, the A5 being the main arterial route from Derry into the south-west, Dublin and beyond.

Another example is the Bridgend to Derry crossing. That directly links to what we refer to as the A2 economic corridor. There are major operational sites along that entire corridor. Seagate have their major plant there; there are several industrial estates and other commercial units along there. That is only 1.5 miles from the border and the road infrastructure at this time is already under severe pressure at peak times. It is currently holding back four to five investment propositions, which would be helping to create and sustain jobs, along that route, and that is without any other implications from what infrastructure might be needed to cope with any form of hard border being considered.

Danny Kinahan: I want to make a comment because my concern is that we are all going round and round in circles. We know the generality of all the problems but no one is having the chance, which is why I asked about resources, to sit down and specify, and look at things. That is something we have to take on board because we are going to need your suggestions for how we meet certain problems in the future just as much as we will from the other places we have been going round, but thank you very much.

Q302 **Mr Stephen Hepburn:** What other treaties and areas of influence that the EU has in this region would you like the British Government to keep in order to keep the economy thriving? "Thriving" is probably the wrong word: keep it moving forward.

Michael Gallagher: I don't know who the expert in that would be; it certainly wouldn't be me, on EU treaties. Is it you?

Michael Tunney: I don't know.

Michael Gallagher: We have been guided to date by most of the evidence that has already been given to you by Dr Katy Hayward of the

Centre for Cross Border Studies. We have been looking at their evidence and have been guided by them. It is a very technical area. I can give you an example around people. The movement of people is at the heart of all of this. EU nationals who arrive in the Republic of Ireland would have a right to work and live there. What then happens after that? Are we moving towards a situation in which you would have a hard border in Larne or Dublin or Warrenpoint for us with the customs union? It is a common travel area. We would like all of those things to be kept, like the common travel area particularly.

Another example: I think when you are talking on a one-to-one, we find that businesses are a way ahead of us, thinking about how this will affect them. We have one multinational based in Donegal saying that already they are getting requests from their staff in Dublin, who are non-EU nationals, wondering will they need a visa to travel to Northern Ireland to go the plant in Donegal. That was surprising for me. I had not expected that. They are already down that road and thinking about how that will look; how it would work. Those are the types of issues that we need to highlight within work such as this, and work out what the solutions are.

As well, within the educational sphere, we have already seen from some of the submissions made to the House of Lords around education that there are already suggestions that collaborative partners are pulling out of agreements or not entering into worldwide research agreements, on the basis of the uncertainty that exists on whether they can access, say, Horizon 2020 monies. That is a feature here, locally.

We have a number of organisations here, particularly the university and C-TRIC, a transformational research institute that deals with health research, which has levered in quite large sums of money here. In terms of growing the knowledge-based economy, it is critical for us that they continue to prosper so any suggestion that they would not be able to recruit partners worldwide would slow down that growth and we would be very concerned about that.

Q303 **Mr Gregory Campbell:** I want to follow up what the Chairman said about accessibility and ask you to outline for the benefit of the other members—I am reasonably well aware of the territory here—but as you have all outlined, in terms of the area that is covered here, borderwise, we are talking about from Londonderry to Strabane to Castlederg, really quite a bit of County Tyrone. There is a 320-mile border all round Northern Ireland and my guesstimate is that about 50 miles of that are covered in this area. If there were to be changes to it, could you outline the difficulties that I can see, and perhaps for my colleagues' benefit you could see, in terms of trying to implement the hard border, regarding the accessibility that there is and the hard border trying to stem or stop that or regulate or monitor it? If you could, I think it might be helpful for my colleagues.

Michael Gallagher: I will start on this. Our estimate, depending on how you define the region, is that there are 40 to 50 crossings in all. There would be a smaller number of major crossings. Given past experience—

Q304 **Mr Gregory Campbell:** That is in this area?

Michael Gallagher: Yes.

Mr Gregory Campbell: That is important. Just in this area?

Michael Gallagher: Just in this area. Even within a five-mile radius from here there are probably 12, 13, 14 crossings, depending on how you define a track or a crossing and you have heard some of the numbers around people crossing.

In terms of complexities in future, we have an application at the minute around greenways, cycle paths, which are going to be cross-border and they aren't roads; by virtue of the fact that they are greenways, there is no road access there, but in terms of people or smuggling, we are going to be spending millions of pounds on a number of these, which would take you right down to Culmore, down along the river, going north, going south towards Lifford, all of which will cross the border; all of which will provide further access points from the Republic of Ireland to Northern Ireland and vice versa. It is very difficult to see how you could police those in any practical fashion.

Another issue that has arisen: we had a haulier contact us who said he moves 60,000 tonnes of goods per year from Lisahally Port into Donegal. That is 45 lorryloads per day. His concern is even with electronic tracking of some sort in future, there is going to be a cost to him involved, not just in terms of electronics, in terms of time, in terms of filling in something somewhere, the time element, crossing the border. He has estimated that is going to cost him thousands and thousands of pounds of extra costs for effectively nothing, no benefit to him, no benefit to anyone, essentially. So any type of barrier, whether it is electronic or other, will again impact on the competitiveness of businesses both here and in Donegal.

I will give you another example. We spoke to Killybegs Fisheries. Their lorries with fresh fish would leave Killybegs and travel right through Northern Ireland to Dublin. What happens there? Are they going to go through Sligo, which adds on extra cost and extra time? There are all sorts of issues that begin to arise when you look at how this area functions.

From a practical point of view, when you look at the numbers of crossings, I don't see how you could practically do that. Anyone who is here during the Troubles—I know some of you were—would know that a simple delay of 20 to 30 seconds per car at any of the major crossing points would result in tailbacks right up, particularly that A2 road, which is already constraining economic development within the city. The city here would be gridlocked if you put formal process in place at the existing border crossings.

Q305 **Mr Gregory Campbell:** Maybe a bit more information on the issue of the cross-border workers that you alluded to. Have you managed to do any analysis of how many people you think are affected, both full-time and part-time?

Michael Gallagher: There is something of a conflict with the numbers. When you look at the census figures for the whole of Northern Ireland it looks as if there are about 14,000 coming in from the Republic. The Centre for Cross Border Studies has estimated in their evidence to the Committee that it is probably three times that number. We think it is around 1,200 to 1,400 crossing daily in each direction. The question then arises, what is a cross-border worker.

What do I mean by that? If you take somewhere like Buncrana, which is 14 miles away, and you have a firm there, you have a kitchen fitter working there, who doesn't see any difference between working in the city here or working in Donegal, wherever that might be. So half their work, if you want to call it that, although they are not formally employed in Northern Ireland, is here in Northern Ireland, and vice versa.

We have people here who travel to Donegal, particularly around services, and services is one of the sectors, when you look at tariffs and quotas, that is most problematic. We spoke to a legal firm here that does work in the Republic at the minute and they said their worry was that they might be forced to establish a presence—they do a lot of work in Dublin—where they would incur extra costs for no benefit.

So on each element, as this process evolves we are beginning to see what the complexities are. The health service is particularly worried about cross-border mobility for some of their staff. Would people not wish to come in? They already have a problem in recruiting nurses; they are already going to the Philippines and elsewhere for nurses. What would the impact there be? We have met a few of their staff who are already coming in. As Michael has said, we have an economic hinterland here. They travel to work here, about 350,000, cross-border. It gives us access to a lot of labour. So locums are coming in at weekends from Letterkenny Hospital and the Altnagelvin, and vice versa. That is a fantastic resource in terms of specialisms for somewhere like here.

What does that look like? Will they continue to want to be here? The new radiotherapy centre, which I hope you will see tomorrow when you are visiting, had to recruit staff from right across the world because of some of the specialisms are required for the scanners, the radiotherapy equipment there, and they were able to do that. But again, their concern would be that post-Brexit does that bring some uncertainty? The university says the same thing, with high-level researchers who want to be very mobile. They may not want to go and locate in somewhere like the city here if they are outside the EU because it may affect their career prospects, moving up and advancement. These are the concerns that have been expressed to us right across the sectors.

Michael Tunney: Some other examples: there are a couple of companies in Donegal, particularly some of the FDI companies in Letterkenny—as Michael mentioned, they have had significant successes there in the last 15 years—and in talking to some of those, up to 30%

probably of their staff—one of them was employing about 1,400; the other employing 600 to 900—some of those people travelling from as far away as the other side of Omagh, so that is over an hour's drive to work at Letterkenny, and back, across the border.

Like I said, the mindset now is that we can do this, thankfully with the removal of the hard border, as it were. E+I Engineering, which was based in Derry and moved out to Donegal, probably two or three miles the other side of the border, it is probably 60/40: 60% of the cars in the car park are Northern Ireland; 40% are the Republic of Ireland, Donegal, and that is the nature. People are very comfortable with that. So it will depend on the business. The larger the business, probably, and the higher the skills level, you will get a higher percentage of people travelling across the border.

Q306 **Chair:** Can I just check on this? If somebody comes, let's say from the Republic of Ireland and uses the health service in Northern Ireland or vice versa, is there a cost passed one way or the other or is that all covered in the EU scheme?

Michael Gallagher: It varies. My understanding is that if you are a taxpayer in Northern Ireland, you are entitled. So in some cases you might have two parents, one parent working in the Republic and another parent working in Northern Ireland, and the one who is working in Northern Ireland would be entitled to come in here and use the health service while the other would not; it wouldn't be available to their children either. That is my understanding of it.

But there a number of other arrangements that have been made through a group called Co-operation Working Together—I think they have also made a submission to you—which has been about increased co-operation in the field of health. That has led to the radiotherapy centre that we now see opening within the city. Their catchment area includes 100,000 people in the Republic of Ireland.

Going again back to the point Michael made about critical mass, the fact that we are able to use those 100,000 people, if you are going to put it that way, is an addition to the numbers that makes a lot of services viable that would not be otherwise. There is another service there, the PCI service, which is healthcare around the heart, where you have to be treated within an hour of your having an episode. We now have that facility in Altnagelvin and that is also available to people in Donegal. So it would not make any sense to have it if they had to go to Sligo; they couldn't do it in time. We can bring in fantastic services here where we have the critical mass of people.

The other service that CAWT have delivered, some of it through EU funding, is around GP services in Inishowen, where it is possible if a GP refers you in Inishowen for you to come to the local hospital here in Altnagelvin, which is much closer than the one in Letterkenny. We would have hoped that in the longer term to be deepening that kind of co-operation because it makes absolute economic sense, and people going from here to specialists in Letterkenny hospital. The concern in the longer term, whether about the recruitment staff or about the provision of services on a cross-border basis, is that again it would be held back in some way by this change.

Q307 **Tom Blenkinsop:** Good afternoon, gentlemen. I am really glad to be a guest here in Derry. It is a fantastic city.

I want to draw attention to the report, which is very good and has some excellent information in it. I think on page 27 it shows that manufacturing is about one in four jobs in Northern Ireland. Under the hard Brexit scenario, in graph 15 on page 33, what is the definition of hard Brexit? What are the component parts of a hard Brexit?

Michael Gallagher: These graphs confuse me at the best of times but for people who are just seeing them, if I could just run through quickly what the assumptions behind them were.

If you look at figure 14, the solid line there, which is called Brexit scenario, what that is, is using the OBR forecast in the autumn statement. This is what we expect world growth to be; this is what we expect UK growth to be, Northern Ireland growth, growth in the Republic of Ireland; all those things that affect this area. That is what we would expect to happen. The solid line shows that by 2030 we need an additional 2,440 jobs. That is not many in terms of the targets we would have for the city, so over 14 years it is probably 200 to 300 jobs per year, which would not be sufficient to grow this city the way that the plans under the strategic growth framework would be.

The above line, which we call the "strategic growth plan scenario" is a plan that we were already working on prior to Brexit happening, which says what is it that we need to do in this city for us to realise its full potential. That is around improving communications, round the roads, via the A6 and A2. It is around improving the railway system. We are already seeing good things happening there.

Translink have just purchased the old railway station this week. There was an announcement yesterday that there will be an early rail service from here to Belfast, so some of those things are getting put in place. There is some progress being made on this; we would like to see more. You will be speaking to the university and will have those discussions with them. That will be one of the key transformational projects within this city, the expansion of the university, particularly in the knowledge-based economy. That shows you what we feel we could do. We could have an additional 10,000 jobs by 2030, doing that.

We move on, then. The medium Brexit—we're going to call that, for the sake of argument—is things as they were, things as they looked in the winter. All of you know the economists have been revising down the impacts of Brexit as time has gone on, as the thing has kind of drawn out. A whole number of reasons for that, but that is where we are at the minute in terms of the information we have.

The hard Brexit is a situation in which you are completely outside, as it were, so your tariffs, quotas, no agreement on movement of people, so you might not be able to recruit the specialists that you need in terms of the forecast for labour demand in Britain; you will not have those people that you might feel you need to deliver that economic growth. That pushes us down to approximately 2,600 fewer jobs by 2030 under that scenario. That is the dotted line on the bottom graph. Then the solid line is the same as the one above.

Q308 **Tom Blenkinsop:** So, Mr Gallagher, that bottom graph, figure 15 on page 33, by 2022 it shows employment levels at the same level as employment levels post financial crash in 2010.

Michael Gallagher: Yes.

Q309 **Tom Blenkinsop:** What I am driving at is what are the component factors of a hard Brexit. Would one of them be, for example, leaving the customs union?

Michael Gallagher: Yes. Yes, all of that. You are completely outside. You would be looking at WTO. You would be treated as a most favoured nation, like everyone else.

Q310 **Tom Blenkinsop:** So this forecast says that after 12 years, since 2010, post financial crash, employment levels would be exactly the same because we have left the customs union.

Michael Gallagher: Yes. I suppose I will point out one of the things to note is that the expectation is that in the first five to six years after Brexit you will see that the graph dips significantly.

Q311 **Tom Blenkinsop:** So in effect, for this city regional area and its growth forecast, employment will not have improved for 10 years because of leaving the customs union.

Michael Gallagher: Yes. The figure is 200 less.

Q312 **Nigel Mills:** On that question, can you just tell me exactly how many jobs are lost just from leaving the customs union rather than leaving the single market or because we don’t have tariff-free access or because there is not free movement across the Irish border? I assume you cannot say X on the customs union.

Michael Gallagher: No, we can’t at this point in time. We could make estimates over time; we would have to build an econometric model, which we would not have the finances to do. So really what we are looking at is modelling on the basis of work that has been done elsewhere, such as by the OBR and others. We are saying, “If we applied that to the industrial structure that exists here on a pro rata basis, what might you expect to happen?” None of this factors in what we could do. Businesses will react.

The problem with economic forecasting at a point in time is that if you presume that economic actors will continue to act as they did in the past, then you will overestimate the impact because that is not the way it works. So, as I said, businesses already, both here in the city and in Donegal, are saying, “What will we do? How do I geographically diversify? Do I need the currency hedge?” so that will ameliorate it to some extent because they change their behaviours over time. You have heard from the Ulster Farmers Union, and others. They are beginning to look at what does this mean for us. So it is not an all or nothing, if that makes sense.

Q313 **Nigel Mills:** We have seen in recent weeks lots of people having to change lots of forecasts they made before the referendum or shortly after. Perhaps it would be useful to understand what you have here is based on which set of forecasts? Is it based on the super-negative ones from six or nine months ago or is it based on some that perhaps take into account how the economy has behaved somewhat differently in the last six months than they thought?

Michael Gallagher: Yes, it is the latter. It is based on the winter forecast from the OBR so that is the world growth rates that were forecast then, so it is a substantial revision from what we might have been seeing in July. If you looked at the Economic and Social Research Institute forecast for last November, they were looking at figures of -5%, -5.5%. The consensus now, if you want to take a mid-range consensus is about -2% of GDP over a certain time period so they are beginning to converge and it depends on world growth, it depends on China, it depends on what is happening in America with Donald Trump. All of those things will have an effect over time.

If we turn to something like corporation tax, whether or not we institute a corporation tax or not may be affected by what happens in America, if they drive it down in America then there might be a comparative within the UK generally to push down corporation tax. If that was announced tomorrow that would significantly change all of this.

Q314 **Chair:** Can I just ask a further question on that? Not just with your forecasts but with the then Treasury forecast, the then Chancellor of the Exchequer, the then Prime Minister forecast. I suppose cynically one could say on the one hand those people say, “Oh, we do not know what it is looking like. We do not know what the arrangement will be with the European Union. We don’t know what the border will be like” and so on and so forth, and then they are able to somehow predict exactly what it is going to be like. It seems they say one thing one minute and another thing another minute. These really are very difficult things to forecast, aren’t they? Especially when in their knowledge we do not know what the situation is going to be, so how can we make accurate forecasts?

Michael Gallagher: A lot of the forecasts would be bounded, which is to say, “It will lie between this and this” and we have a certain degree of confidence if that is the case.

Chair: Wide margins.

Michael Gallagher: If China takes a policy decision to do something significantly different around their currency that will have a ripple effect right around the world, as with what is happening in America at the moment. I don't even think political scientists, never mind economists, could tell you what is going to happen in America in the next while. Will this return to protectionism, which is effectively what it is? Will that be sustained if that is the case, or will it peter out? Is that going to be a worldwide phenomenon? We don't know. The elections in France—all of these things have an impact.

What I can say is that from general economic principles it tends to be the case that where you have quotas, tariffs and restrictions on trade it tends to depress world growth. I think most economists would accept that is the case and it makes common sense. So starting from that premise, then the question is how much of an impact and what can you do to mitigate that in some way? We think we can do some of that but it will require specific interventions.

Q315 **Mr Gregory Campbell:** Chairman, I would like to add to that. I am looking there at figure 13, which is the shopping flows, and I think that probably puts some meat on what most of us have seen in the course of the past four or five months, certainly in the run-up to Christmas in terms of a huge increase. In advance of that did anybody predict the 80% increase in shopping flows into Northern Ireland from the Republic after Brexit in June?

Michael Gallagher: I think you are right: no one did predict that. I do not even think the retailers were prepared for it. Whether that continues we do not know. It is a function of the exchange rate volatility happening so quickly. So existing stock on the shelves here, let me give you an example as it might be useful.

If you are sitting with a 40-inch television that has been purchased in China and it costs £300, or €500, suddenly it is only €420 for someone in the Republic, so they come up here and purchase that. But for it to be replaced with the exchange rate with China that has changed also there will be what we call a pass-through effect, so over time what we expect to see is that we begin to see inflation, and we have seen some of that in food and clothing, moving through the economy. So in the longer term it is not sustainable, this differential in price, if it is only driven by exchange rates.

This comes back to competitiveness, to the economic fundamentals and I think regardless of the type of Brexit that we enter it is about competitiveness. For us here locally it is about improving skills, because that is what firms are coming and looking for. We need to improve the skills base that we have. That is the university.

On the other side of the competitiveness argument, you have travelled from Belfast today. You have seen the road. We need to improve the road infrastructure to enable the firms here who want to expand, so we need to do all of that with rail and the competitiveness.

The third element is around protective features. Is it the case that perhaps somewhere like here could have a cross-border enterprise zone with favourable tax incentives, because of the particular nature that we are outlining here today? What might that look like? Given the existing strong partnership that we have with Donegal County Council could the two of us work together? Some of the private firms that we met in Donegal were saying things like, "We might want to open a small branch office somewhere in the UK. Ideally we would like to do that in Derry, Londonderry. Could you facilitate us in doing that?" and we are saying, "Yes, we can".

The business unit in Derry City and Strabane District Council and the business unit in Donegal County Council could look at it. There are issues where we could assist and we would like to do that and it would work the other way as well. Some individuals, say legal services, are saying, "I might need a presence in Donegal, or effectively in an EU country" so we can see where there are particular advantages if we have the infrastructure in place, and that includes broadband and all of that stuff in place, and the skills base.

Q316 **Jack Lopresti:** Firstly, thanks for having us today. We do appreciate it. We do appreciate and recognise the potential challenges of Brexit. That is why we are here having this inquiry about the border, and obviously there is a degree of uncertainty at the moment, but there is an absolute guarantee that we are going to be leaving the European Union, so we can all focus on that. So as people in leadership roles and probably what you would call opinion formers, what are you doing to try to engineer some enthusiasm about Brexit? For instance, informing people of the opportunities. It is an absolute certainty that we are going to leave the EU and surely some of your responsibility is to enable people to maximise the opportunities that will result from that.

Michael Gallagher: The first stage in this process has been out assuring people that what we are doing is providing the information that they will require to make decisions. So they are saying, "What will it look like? What is the existing situation? How many other firms are in the particular position as I am?" We are doing part of that. We have spoken to individual firms, some of which have identified opportunities. There may be opportunities for food retailers, if there are quotas or barriers ex-GB or UK, as you heard from the UFU, cheese imports and so on, so there are areas we can look at.

The construction sector would say any reduction in red tape. They would like to see that, although there are issues around that already between Northern Ireland and the Republic around common standards. Procurement is a key one for firms. They are saying, "Well, up to this point we have had difficulties around procurement under EU procurement. Is it the case that you could favour under the new dispensation UK firms for key infrastructure projects?" I do not know whether this will be the case or not, but there are opportunities and we will address them, but it is very early days.

Q317 **Jack Lopresti:** Sure, but you need to set the tone in the sense that it is definitely going to happen and we need to maximise the opportunities.

We, in this Committee, have had inquiries about rebalancing the Northern Ireland economy and have looked at various aspects of that. So the other question is, to what degree do you think Brexit will benefit the long-term rebalancing of the economy in Northern Ireland?

Michael Gallagher: I think if you are talking the very long term it may, but as you can see from the work we have already done sometimes we talk in economics about a cold shower effect, which is something dramatic happens and people react to it. That is what is going to happen for the first five to six years as people try to get their head around what they need to be doing.

In the longer term they will look at what the opportunities are and will have a better view of that, whether that is around increasing competitiveness. Productivity is the key constraint on economic growth and wealth creation here in Northern Ireland and we haven't cracked that one yet.

The worry would be that if universities cannot access Horizon 2020 funding, for example, you end up with your knowledge base contracting, so we need to have all of these things to continue and do them well, and back to the point of competitiveness, whatever that takes. At its heart it is around cost. With the current infrastructure that we have at the moment here in the city, additional costs are imposed upon firms, both in Donegal who are transiting through Northern Ireland and firms located here.

Richard Osterhus: In addition to that in terms of the original question, the leadership grouping within our local authority and within Donegal, very much the focus of the North West Strategic Growth Partnership is working on tackling and mitigating the fundamental underlying weaknesses that this region has economically, physically and socially.

First and foremost, Brexit or no Brexit, our priority is that we tackle those issues. Obviously the circumstances, the context and the legal and economic framework within which we do that is changing. We have to reconfigure our plans and our focus and priorities on our strategic growth plan, some of which both Michaels have been setting out in terms of what we are planning to do.

First and foremost as priority we are talking, meeting and liaising with all of the Government Departments to see how best we can do that. As I am sure you can appreciate it is a difficult thing to do in the best of times and with the status quo changing it is obviously presenting a whole new set of challenges, but that is the focus and the priority of the leadership team here.

Michael Tunney: As Richard was saying, the critical thing is initially in the first six months to try to remove some of the uncertainty. Dare I say it, in Donegal it is very hard to enthuse anybody about Brexit, but there are likely to be opportunities. I think the biggest thing is probably to try to identify the challenges and overcome the challenges first.

Again, coming back to the comment about projections, we could look at projections. That is a lot of "ifs" and, "If this happens then that" and all the rest, but I think if anybody stands back and looks at it, if you make it more difficult for business to do business then it is going to be more difficult for businesses to grow. If a critical issue for FDI is access to the European markets then are they going to locate to Northern Ireland where they might have more difficulty accessing a European market than they would maybe in relocating in either Germany or the Republic of Ireland? I just think there are projections but there is also a lot of common sense. If you just put more barriers and make it more difficult it is going to be more difficult and you are not going to get the same level of growth.

Obviously for us, as Richard was saying, it is about trying to keep going with what we are doing in the north-west. It is a terrible disappointment when you sit back and look at it as to where we have got to in Donegal, Derry and Strabane, working together and coming up with a new model for working cross-border, Donegal recognising that if something happens in Derry or in Strabane it is adding value to Donegal and vice versa. That was a significant mind shift for people in the north-west and to have the leadership within the two councils to take on that role and put that on paper and commit themselves and the two organisations and the local politicians to it, then to have this big challenge with Brexit for us now to try to take that forward. That does require the two Governments to acknowledge that if things are going to happen in the north-west then we have to let this model take shape and give it legs.

Going back to Michael, and one thing about the shower is the first thing that happens in a cold shower is the blood comes away from the peripheries. We are in the periphery and I really would prefer us not to be frozen out, and that is what could happen in a Brexit scenario.

Q318 **Dr Alasdair McDonnell:** Apologies to the Chair, I was delayed on the A6. The catchment area, the area of influence around the city, stretches out into County Derry and County Tyrone and by and large, over generations, Donegal, particularly Inishowen, was the backdrop here. There are a couple of quick points I would like you to repeat or emphasise or maybe develop slightly further. The port you mentioned—you mentioned 45 lorries—what percentage of the port trade does that represent going into the Republic? Is it 30% or 35%?

Michael Gallagher: Sorry, that was only one haulier. No, we don't at this stage, but we will continue to work on that. I think you are meeting the port tomorrow, so that is something you could explore then. There is very poor information at the minute around the transit of goods. It is one of the things that was raised at the previous conference by Professor Frances Ruane. This is one of the pieces of work that they are now beginning to look at, how many goods and what volume of goods go through Warrenpoint, which are going through Britain as a land bridge and going on to the continent. So it is those types of issues as you say we need to get much more detail on to get a sense of that.

Q319 **Dr Alasdair McDonnell:** We listened to Warrenpoint and basically they were talking about 45%, even though they are quite a bit, maybe not as the crow flies but by road, farther away from County Monaghan or North Lough than you would be here.

Again, we talk generally but is there any way we can pin down the number of people from Donegal who commute to Derry to work in a greater way? You touched on it, but I am even also talking about education and the number of people who come in, because for me it is much more substantial than I think any of us realise.

Michael Gallagher: You may have missed it, but part of what I said at the beginning was that the figures do not agree to the census 2011 data. We have census 2011 data from the Republic of Ireland that tells us how many people from Donegal go into Northern Ireland. Those numbers are quite small. It is about 14,000. As I say, the Centre for Cross Border Studies believes it should be closer to 33,000.

I can give you one figure that suggests that the higher figure is probably the more accurate one. Information from the Department around the North West Regional College last week identified that in their third level courses they have 1,800 students from Donegal alone. That gives you some sense. It is a local North West Regional College, 1,800.

So on the one hand it was suggested that for the whole of Northern Ireland it was 12,000 or 14,000, but we are finding that students alone coming in here are 1,800 one way. That gives you a sense of the interdependency, particularly around education. Even at the second level, as you would know, parents travel in here from Donegal to the second level schools, because they are closer than anywhere else in Donegal.

So for instance if you take somewhere like Bridgend, these satellite villages that we have that are only 10 minutes away. Bridgend is literally two miles from St Columb's College, from Foyle College, from St Cecilia's and if you go out to Killiney St Joseph's school, St Mary's are two miles away, so from village settlements that are in the Republic of Ireland, so it makes much more sense for those people, particularly if their parents are working within the city, when they come in in the morning to bring their children in.

That interconnectedness does not really exist elsewhere. You do not get it in other parts of the border, because we have an urban centre here whether it is education, health services or employment. Again to give you a figure 20% of people employed in the city are employed in health-related services, another 10% in education. That is 30% in the public sector. Lots of those individuals are coming in from the Republic of Ireland.

Q320 **Dr Alasdair McDonnell:** You anticipated my point, because I was here when you mentioned the 14,000 but that is from Donegal, not from the Republic. It is from Donegal alone.

Michael Gallagher: No, sorry, that figure is the CSO figure for the whole of the Republic of Ireland into Northern Ireland.

Q321 **Dr Alasdair McDonnell:** Into Northern Ireland? That is far too low.

Michael Gallagher: You would think so but—

Q322 **Dr Alasdair McDonnell:** I think Newry would tell you that they have that alone, so I want to just tease that out a bit further and thank you for that. The 1,800 you mentioned is for the Further Education College. Do you have any idea what is going into Magee in terms of numbers from Donegal or from the Republic generally?

Michael Gallagher: I would guess it is 300 to 400. The numbers there at the minute are not significant in Magee, as you know. We are hoping as part of our strategic growth that it will go up to 6,500. Part of that is a graduate medical school so again whatever Brexit looks like it is critically important that we get it right if we want to expand and deliver in this graduate medical school. Anyone who has listened to the radio today around GP services in Northern Ireland knows that it is essential that we put that in place here in the city, so that we have a supply of GPs.

Q323 **Dr Alasdair McDonnell:** What stage of development is the Air Ambulance that was to be based here at? Is that still on the cards?

Michael Gallagher: I do not think it was going to be based here locally. Was it in Aldergrove?

Q324 **Dr Alasdair McDonnell:** My understanding was that there was one to be focused here, which would cover Donegal and Tyrone.

Michael Gallagher: I am not aware of it. I know there is one in Aldergrove.

Mr Gregory Campbell: There is just one for the whole region.

Richard Osterhus: If I may just add on to that and give slightly more context in terms of the traffic movements. Just to give you an indication in terms of the figures I mentioned earlier—326,000 traffic movements per week—some further analysis that we did with DRD showed that 40% of those journeys happen at peak times, in the morning and again in the afternoon. That equates to about 130,000 traffic movements during peak times, so obviously there is an assumption there to be made that the reason and purpose for that is what we call commuting or utility journeys, so that covers school trips, employment and so on during the peak times twice a day.

Q325 **Nigel Mills:** I managed to take the time to read the conclusions of this report, but not that much else of the paper, but one thing that struck me in here was the idea of a cross-border free trade zone. How much of that thinking or work have you done as to how that might work and what sort of activities you might want to include in it?

Michael Gallagher: It is very initial stages but we are looking at innovative solutions that other areas have looked at. I suppose what we are saying is that in this transition from where we are to this new dispensation what can we do? What innovative solutions can there be? In the past there have been enterprise awards here. Gregory would know more and can probably come back with a number of those that had special tax incentives given the particular circumstances that we have here.

When you look at the commonality between ourselves and Donegal, whether it is unemployment or living standards or deprivation, we really need to put in place strong interventions that will move us from what we are predicting will happen, which will be many fewer jobs than what we have at the minute, 200, which is a place we do not want to be, to somewhere new. It could be that, and we have not had discussions but there have been suggestions at some of the events that we have had, that there should be a joint office somewhere in Loughtown, so that if people do want to relocate they can work with both ourselves and Donegal County Council to do that. There might be an opportunity there.

Given rental levels and how the governing counties are working effectively in terms of office accommodation, there might be opportunities there again, so how can we incentivise those? Could it be the case that if you are exporting if there were tariffs, or if there were quotas, you may not be subject to them? That would be the first look at those initiatives.

Q326 **Nigel Mills:** As a final question, if you were able to see the Prime Minister and ask her for perhaps your two or three biggest wishes for the negotiation—and we assume she will announce tomorrow that we won't be in the single market or the customs union—are you saying it is free movement or at least to keep the common travel area and to try to avoid having any tariffs or other barriers on the vast majority of goods? Are those the two biggest things that you would want to see?

Michael Gallagher: I think you are absolutely correct. I would almost put the free movement of people first, given the way that this area, as we have heard today, functions. It is critical for that to continue to be the case.

Secondly, as you heard from Ulster Farmers Union at your previous Committee hearing, if you look at the complexities, I was reading the transcript of that in terms of milk powder moving south and then processed product moving north. Anything in terms of tariffs that would affect that would be very impacting in terms of employment right across the region.

Q327 **Nigel Mills:** When you say "free movement", presumably the biggest thing is that UK and Irish nationals can keep moving freely?

Michael Gallagher: Yes. That is the biggest thing, but it is not solely that. Non-EU nationals, if we look at the health service here, we need to be able to recruit specialists not just there. Within the university I think it is critical that those with very high specialism and high levels of skills should be able to come from anywhere in the world and work and live here.

Q328 **Chair:** Okay. We will have to finish this particular session there. Gentlemen, thank you very much. It has been very useful. You have given us a very strong flavour of the issues and the feelings, so thank you very much indeed. We will take a break and start again at 3.20 pm.

Examination of Witnesses

Witnesses: Toni Forrester, Sinead McLaughlin and Gavin Killeen.

Q329 **Chair:** We will reopen the public session. When Members or witnesses are speaking if they could remember to press the microphone button just in front of them. Thank you very much. Thank you for joining us. I don’t know whether you sat in on the earlier session. We are conducting an inquiry, as you know, into the future of the land border with the Republic of Ireland and we wanted to be here to get the feeling on the ground, as it were, of the likely situation, the concerns, the aspirations following Brexit. Thank you very much for joining us.

Can I invite you just to very briefly introduce yourselves and your organisations and then we will perhaps go into questions? Ms Forrester, if you would like to start. Thank you.

Toni Forrester: Thank you for giving us the opportunity to be here today. I represent the Letterkenny Chamber of Commerce who represents over 250 businesses in the greater Letterkenny area and we have a few cross-border ones as well, but mostly in Letterkenny. It is the biggest business membership organisation and we are the only official Chamber of Commerce in Donegal, so in a way we speak for the businesses of Donegal where we can.

The Chamber provides opportunities for our members in terms of networking and promoting themselves, and really what we are about is helping the business environment to succeed by ensuring that our voice is heard within the decision makers, so they know what our main business issues are.

Our main concerns around that are on infrastructure and you have heard that earlier on today, roads, broadband and electricity supply. We work with a range of partners including the councils in terms of all the issues that we all have and for the economic development of the region. Our membership spans all sectors and draws membership from tiny, micro businesses to all the larger employers, of which there are about six in and around Letterkenny. We also do export trade documentation as we are affiliated with Chambers Ireland for about 30 client companies across Donegal who export to the EU and beyond.

The Chamber is also responsible for retail promotion in Letterkenny. We are funded by the Donegal County Council to do that. The town of Letterkenny, if you have not had a chance to see it, is very much the retail centre of the county. It has a really vibrant retail offering, including a high number of UK multiples alongside a very strong independent retail sector. The retail sector and domestic market is of course heavily reliant on the large employers, the FDI companies and the public sector, but in the last 15 years we have seen the retail offering of Letterkenny change beyond recognition and the town has become a retail destination in itself.

Letterkenny is the commercial centre of Donegal with a population of around 20,000. That figure, however, belies all the people who travel to work in Letterkenny, as you have already heard, from all over the county and the region and the early upsurge in the number of students coming to LYIT. That is a picture of where we are.

Q330 **Chair:** Very useful. Thank you very much. I did chair a conference there a couple of years ago so it was a pleasure to be there. Ms McLaughlin?

Sinead McLaughlin: Good afternoon, Chairman and Committee members. On behalf of the Londonderry Chamber, can I first say a very big welcome and we are delighted that the Committee has opted to come to our historic city and to see and understand firsthand the unique set of challenges that we will experience resulting from the UK exiting the EU? We also welcome comment on your inquiry into the future of the land border.

I am Chief Executive of the Londonderry Chamber of Commerce. The Chamber was first established in the city in 1885. We have played a pivotal role in the commercial, economic, social and physical development of this city and this region for the past 132 years. Today we represent over 500 companies and we are the largest business representation organisation in the region and the second largest Chamber after the Northern Ireland Chamber in the north.

We promote strong business engagement and support the development, growth and sustained economic viability of Chamber members and the wider business community within the city Derry region. We develop and deliver very dynamic and effective services, programmes and events that support our members in expanding their business and enhancing their ground profile.

The Derry Chamber provides advocacy for the north-west business interests at a local level, a regional level and a national and European level. The Chamber strives to ensure that our members optimise their opportunities to grow and enhance their position in the global marketplace through all the services that we offer.

As the primary business network and voice of local business, we are committed to the enhancement of economic prosperity and the quality of life through the city and the surrounding environment. We see ourselves very much as a north-west Chamber and we connect businesses throughout the region and we share many members with Letterkenny Chamber and Chambers throughout Northern Ireland as well and with the members of the Derry Chamber as well. Thank you.

Gavin Killeen: Gavin Killeen, the Managing Director of Nuprint Technologies here locally, a print and packaging company employing about 38 people. I am immediate past-president of the Londonderry Chamber of Commerce as well. I am also co-chair of the Derry City and Strabane District Council community plan. I am a member of the board of governors of the North West Regional College and vice-chair of the board of governors of Foyle College, a local grammar school here as well, and I also sit on the Ministers' expert panel reviewing youth training and apprenticeships.

Chair: Okay. Thank you very much. We will go into questions, if we may. Alasdair?

Q331 **Dr Alasdair McDonnell:** Thank you very much for your presentation and for having us here. It is a privilege. One of the things that I was impressed with was when we were listening to people from Newry who were giving evidence earlier how Newry in the last 20 years had lifted itself up from 30% unemployment to something less, like 4% or 5%. They gave us a lot of economic indicators, some of which was over my head, but can you give us, Sinead or someone, the economic parameters or indices surrounding this community here and where do you sit vis-à-vis Belfast, Newry and other wards of the district councils? Thank you.

Sinead McLaughlin: Derry City and Strabane District Council area would have a population of approximately 149,000 people. The age profile or the population within the council area is slightly younger than the rest of Northern Ireland, which is a good thing. The employment rate is approximately 59%, which is almost 10% below the average in Northern Ireland and 15% below the average of the UK, which is quite significant.

The unemployment rate is currently sitting at approximately 5.5% and it is compared to possibly about 2.8% in Northern Ireland. We are still waiting on the January figures to come out as well, so we are not too sure where they are at the moment. This is one of the highest unemployment rates in the United Kingdom. One startling figure is our economic inactivity rate, which currently stands at 33%, compared with the Northern Ireland average of 27% and the UK average of 21%.

From these economic indices, you will derive that the economy of the north-west is underperforming and challenging at the very best. I wanted to just maybe talk about that you asked me to compare maybe council areas. Out of the 11 council areas that we have in Northern Ireland Derry City and Strabane ranks number seven out of the number of businesses that are here, so we would have about 4,570 registered businesses. That represents 6.7% of businesses in Northern Ireland. One would expect obviously Belfast and the greater Belfast area if you take in Lisburn and Castlereagh and all of that to be the highest and it is, and as it should be, because it is the capital city and it has a larger scale.

If you compare ourselves with mid-Ulster, for example, they have 11.7% of businesses in Northern Ireland. Armagh, Banbridge and Craigavon 11.4%. Fermanagh and Omagh 10.7%, Newry and Down, as you say

Newry has really come up quite significantly with great improvement and it is 11.2% and the Causeway Coast and Glens is another example with 8% of businesses. So the number of established businesses in this region, in this council area, is a lot smaller than you would expect for the second city in Northern Ireland.

Similar to the rest of the figures in Northern Ireland, 90% of those businesses that we have, 4,025 of them, are significantly micro businesses really, with nought to nine employees and 430 of them are regarded as small businesses, 55 medium businesses and only 10 large businesses for a city of this size, a region of this size.

I think it is very important that you understand the context in which we are working. We have very poor economic indices as we stand here. We are not contributing as effectively to the Northern Ireland economy as we should. We are being challenged at the moment and the economic future was dealt another blow when we found on 24 June that the UK had voted to leave the European Union. Northern Ireland is the region that will be most exposed to the post-Brexit impacts. Basically the geographic context says it all really and we are the least diversified in terms of trade and the north-west part of the island and of Ireland is the most vulnerable.

Q332 **Dr Alasdair McDonnell:** Do you see any opportunities in Brexit? Are there any opportunities to you for you to compensate for some of that?

Sinead McLaughlin: I think prior to the EU referendum we had challenges and as a city and a region and you have heard from our colleagues in the council area earlier and you know that there are some interventions that we are moving towards, for example growing the university and improving our connectivity. Those things have to be done even more urgently now post-Brexit, but it is very difficult for a border region of this size to see opportunities.

In the absence of knowing what form Brexit is going to take, if Brexit is taking the form that we see increasingly and hear increasingly come up in London, if it takes the form of leaving the single market and the custom union I really do not see very much opportunity there for a region that is struggling at present.

Q333 **Mr Stephen Hepburn:** What was the vote for Brexit in this area? What percentages?

Sinead McLaughlin: 78.3% of the people in this area voted to remain in the United Kingdom.

Q334 **Mr Stephen Hepburn:** You mean in the EU?

Sinead McLaughlin: Yes. But can I just say in the run-up to the referendum the Chamber polled our members five times at five-weekly intervals, to see just where the land lay, and consistently out of our membership 81% to 87% wished to remain within the EU. I suppose that bore out when we went to the polls on the 23rd, and 78.3% of this constituency voted to remain in the EU. Our social, physical and economic life is so integrated and interlinked with our neighbours in the Republic of Ireland and our north-west city region. It is like having part of your region in the EU and the other part of the region outside it. It just does not even bear thinking about from our perspective.

Q335 **Mr Stephen Hepburn:** Of those businesses located in this area, what percentage of their trade goes over the border, of their business? Ballpark figures?

Sinead McLaughlin: We do not have it quantified right down into a regional basis, but Northern Ireland exports 60% to the EU and out of the 60% that it exports to the EU 38% goes to the Republic of Ireland. I would say that if you brought that in and you looked at it on a region-by-region basis the north-west is so very fluid that it is probably much higher figures than that, than it is in Northern Ireland.

Our previous evidence that you received, we are still trying to drill down and get to the bottom of those figures so that we have a better understanding, but it is very high. You can see even with the cross-border movement of people and traffic that it is extremely high on a daily and a weekly basis here.

Gavin Killeen: Just from a personal point of view, my business, 35% of it is sold into the Republic of Ireland and we supply labels and packaging to the food and drink sectors so we are supplying the agri-food sector. In Northern Ireland the agri-food sector makes up 22% of our GVA and of all those businesses a lot of their trade is into the Republic of Ireland.

Most of the trade that takes place is in agri-food and most of that happens in the island of Ireland. Whatever the opportunities may be with Brexit going forward, agri-food products are products that need to be sold close to market. Some of them, dried milk and things like that, can be sold further away but I know from talking to my customers that many of them are worried that fresh salads and things like that can only travel for a particular amount of time, therefore the Republic of Ireland is the closest market, along with the UK as well. Therefore opportunities outside of the Republic are limited within that regard.

Q336 **Mr Stephen Hepburn:** Gavin, you have so many jobs I am surprised you can take it on. What are the main sectors that will be affected, the main industries that will be affected through any changes in border?

Gavin Killeen: I would say the agri-food sector will be the first one. The other one would be the tourism sector and hospitality. We have seen since the devaluation of sterling since the vote the city has done quite well and tourist numbers have increased, but we have a very fledgling tourist economy, because people did not want to come to Northern Ireland because of the difficulties that we have had. We have seen particularly in this city when in 2013 we became the UK City of Culture, since that year tourist numbers have grown and improved year-on-year. From a personal point of view we opened a café and restaurant that is located just across here and sells very good coffee if you are free to call in. We employ 22 people in that business and that opened just as a result of City of Culture because of what has happened and because of the improvement.

We are now beginning to see tourists that come to Belfast, they go to see the Titanic centre, they go to the Causeway. They do not always make it quite up to the north-west but they are beginning to come. I think it would be a great shame that if we had a hard border that the vast number of tourists that come into the island fly into Dublin, they travel down around Cork, Galway and then generally go back to Dublin and fly back out again. Very few of them make it this far north. It is beginning to happen. If there was a hard border would that stop them coming? I do not know. Possibly it would do.

Q337 **Mr Stephen Hepburn:** Can you give us any ideas of the employment flows? How many go over the border from the UK into the Republic to work and how many vice versa? If you can do it for this area?

Gavin Killeen: It is significant. I would not have the figures. Our colleagues this morning probably alluded to the 12,000 traffic journeys that take place every day, so if you imagine each one of those cars has one person in it, it would describe how much it is. But if you travel to any significant business in this city, the Seagates and any of the large employers, the hospital, the university, the colleges, 40% of the car parks on either side have people travelled from the other side of the border, particularly in those higher skilled areas, the teachers, doctors, dentists, nurses, those sorts of areas. You can see that the car parks are at least, if not 50/50, certainly 60/40 on either side.

Toni Forrester: Can I just add something? I am a cross-border worker myself. I live here in Derry and travel to Donegal to work every day, and again I agree with Gavin. It is hard to put a figure on it but the amount of Northern registrations that are travelling every day is fairly significant and increasing. We have a company called Pramerica, as Mike alluded to earlier, with 1,300 people employed. A significant amount of those are Northern Ireland residents. It is hard to put our finger on the figures.

I would like to make a point of the tourism. Through the south of Ireland the Wild Atlantic Way has improved tourism for the west of Ireland in general, and we are starting to see that in Donegal. Some figures last year were up 9% and we think there will be a rise this year. A lot of that is dependent on the GB market and exchange rates have an effect on that but we are starting to see tourism as being a bit of a game changer and our councils are putting a lot of resources into it.

We believe as a region we could make tourism huge and we are worried that a hard border—even a perceived border—makes people not want to come because they have to travel through Northern Ireland, maybe cross the border and have to stop. That is a real worry for us. It is back to perception to a certain extent assuming we do not end up with a hard border, so we have to work on that.

Q338 **Mr Stephen Hepburn:** On the tourism issue we are coming towards the end of an inquiry in this Committee into more so taxation on tourism. We finish it off on Wednesday. I am straying a little bit beyond the confines of today's discussion but as we are here and you have raised it, we see the Treasury Minister on Wednesday to talk about taxation on tourism. Apart from the border issue what issues, very quickly, would you want us to raise with her?

Toni Forrester: I am going to say from a Donegal point of view in the Republic of Ireland a few years ago because of the recession they brought in a flat rate of 9% for tourism. It was a game changer for our businesses. Our local hotels, everyone, they just saw a complete difference in their offering. So they could go out to all the tour operators and offer much more competitive rates. It was huge.

There is some discussion whether Dublin should have the same flat rate because Dublin is 12 at this moment in time. Our businesses have said we need to keep the flat rate. I probably would say that on a cross-border basis we should have the same flat rate because while we are in competition, to a certain extent we are not. We want people to come to the north-west and come and see Donegal and Derry. Not just going to another place.

Q339 **Chair:** You will be aware the European Union rules prevent us doing that at the moment. Mr Killeen, did you want to come in on that point?

Gavin Killeen: We have argued that we should have the same flat rate as the Republic of Ireland because it did make a difference. At the time, coming out of the economic downturn, it made the Republic very attractive. It was difficult here for hoteliers and/or restauranteurs because the prices, particularly in this city, are very competitive and whenever the 20% has to be taken off for VAT it is very difficult for some of those business to survive.

I know Bath have put the tourist tax on. I would find that that would be a very detrimental effect here because our tourist industry is still very fledgling. It is not established. Places like Dublin that are established or London and areas where tourists will automatically flock to, but our tourist offering is still work in progress. It is still not established and anything would be detrimental to that.

Q340 **Bob Stewart:** Can I just say this is a great tourist destination? I came here during the Troubles a lot and as soon as I left the Army I came back and went to Donegal. It is a fabulous place. You have a real problem to overcome called rain; you cannot come here for a good suntan. But it is nice to be here. Thank you for everyone that has looked after us today. It is nice to be back personally and as a Committee.

From a strictly business point of view, it seems to me that borders are a pain in the bottom. If you had no border from a business point of view this place would flourish—something Alasdair hinted at and Gavin has mentioned—because then there would be no inhibitions to business around here. Would you agree with that statement?

Gavin Killeen: Absolutely.

Q341 **Bob Stewart:** So the whole region could be the north-west including Donegal?

Sinead McLaughlin: Can I just say, we are an Island economy and that is not a political statement? It is just a fact. The border is pretty invisible now compared to probably when you were here in a previous life.

Bob Stewart: Pretty invisible then, actually.

Sinead McLaughlin: It is pretty invisible but obviously it is two jurisdictions, there are two currencies, there are two taxation rates and all that entails. But we manage it. There are ebbs and flows and at the minute with the depreciation of sterling our tourism and retail is seeing a little bit of an up. But we are very realistic. We understand that that ebb and flow merely has a net contribution whenever you take into consideration the spend people have within the region.

Obviously the city has been, and in previous times, cut off from its hinterland and that has been very devastating to the economy of the north-west. I am sure it has gone in no way to help support the growing of the city and of the regions. We have seen other cities within Ireland thrive and be they more proffering maybe even than us, the Corks and the Galways of the world, they have thrived and grown. We have been very constrained here in the north-west.

So what we are doing, and you heard from both councils earlier on, is we are trying to embrace the entire region and working more effectively together, becoming more interconnected, becoming more strategic in our regional thinking, and putting and pulling together resources.

Dare I say it, the Fresh Start programme, which was announced last December, and there were resources put—€5 million—towards developing that better co-ordinated regional offering. We are in a very unique position here in the north-west in Northern Ireland and in Ireland that we are the only region on a cross-border basis that have firm structures together in order to grow because we realise that we are constrained if we only grow in one part or we do it in silos. So we have to do it effectively.

Bob, yes, I suppose you have made maybe a little bit of a political statement there but I can hear what you are saying in relation to the city and the region being more effective if we grow together and try to overcome barriers.

Q342 **Bob Stewart:** Fundamentally, as an objective, economically you would like things at the least to remain as they are at the moment, and that would be the message that you would send to the Northern Ireland Assembly and to London and to the European Union?

Sinead McLaughlin: No, they cannot remain as they are. They have to improve.

Q343 **Bob Stewart:** They have to improve?

Sinead McLaughlin: They have to improve.

Bob Stewart: So that is the message you want us—

Sinead McLaughlin: Yes.

Q344 **Bob Stewart:** What are the improvements, the message you want to institute to make it better?

Sinead McLaughlin: The city is underperforming. I shared some of the indices with you. Brexit is only going to compound that. What we need to do is grow our connectivity and our capability, and I would say probably maybe Gavin might come in and talk a wee bit about the skills and the investment that this city and region needs.

We do not need anything to take away from the city. We cannot let it remain the same because we are down on our luck in terms of economic prosperity and we have very high levels of deprivation. We need support, we need regeneration, we need redevelopment and we need more support than we are currently getting. Brexit is just another problem that will take us further back from the economic centre.

Q345 **Bob Stewart:** Just to follow up and add to that. As a Member of Parliament, I would personally expect that the level of grants and things that you get from the European Union must, at a minimum, remain when the British Government gets more in the ascendancy. There should be no change to that. So the grants, and so on, should come—rather than we pay to Brussels and they pay to here, now they come direct from London through the Northern Ireland Assembly.

Gavin Killeen: I wholeheartedly agree. That is a fear that many people here have; the PEACE IV money that many organisations have and the indirect money that has come from Europe to support the peace process. Because the peace process was based on European principles and why Europe was originally set up to stop Europe being at war. That has helped Northern Ireland put the peace process in place and it has helped support the border regions. We have a long way to go.

In the 1950s there were four railway lines that left Derry to take you to Dublin, Belfast in all directions. They were closed because the motorways were going to be put in. Those motorways were never put in so Derry has been cut off.

If you draw a line between Galway and Belfast there are seven universities of sustainable size located below that line. There is only one, Magee, which has 3,500 students, which is ridiculous for a city of this size. If we had a university delivering courses for students in relevant subjects that allow the businesses in this area to be involved in innovation, R and D activity, creating wealth, creating jobs, creating opportunities, along with the connectivity, the roads, the rails, the infrastructure, the ports, the airport, it would give us this region a chance.

It is very positive to see over the course of the last year, while I was President of the Chamber, the work that the two councils have done to come together. That did not exist a number of years ago. It is only since 1992 when the single market was in effect and the customs borders came down. Then in 1994 with the peace process. Then in 1998 with the Good Friday agreement. We saw that security border being removed that people then began to move and travel across that border. Before that people in Donegal stayed in Donegal and people in the north stayed in the north. They did not commute.

As the city expanded and it grew, it grew back to its natural hinterland, and the villages that Michael mentioned earlier on, Muff and Bridgend, that are just across the border. Many of the citizens from Derry-Londonderry moved to those areas so they now find themselves living in the Republic of Ireland and having to maybe commute to work. Derry's natural hinterland was cut off whenever the border was put in place—back whenever that went in—and the city has never recovered from that.

We had our shirt factories. Derry led the world in clothing manufacturing 100 years ago and it did up until the 1980s and the 1990s. Those people that were employed in those industries, those shirt factories have all gone. Industry has never been replaced in the same scale within the city. This city has not recovered.

Earlier on Alasdair mentioned Newry. Newry is located between Dublin and Belfast, two capital cities that are both thriving and it benefits from the commute that people go there. We are on the western periphery of the island of Ireland, we are on the western periphery of the United Kingdom and the western periphery of Europe. We are totally exposed and we are exposed that anything that happens with a hard Brexit is going to be more acute in this particular area, which are Derry and Donegal.

Q346 **Bob Stewart:** I will keep quiet after my next statement. I am very grateful for that because that is exactly the message we wanted to hear. Of course you can say something in a minute but, from my point of view, what you are arguing is that not only do you expect Brexit to allow you to continue to have the grants and support that you currently have from the European Union, which comes from London indirectly, but you would expect a better deal from Brexit. Brexit negotiators should bear in mind that if you wanted to win the people over in this region of the north-west of Ireland you ought to find a deal that benefits this area and benefits it well from the point primarily of economics. Is that the message you want to—and, of course, Toni, you want to tell me something.

Toni Forrester: You asked about from a business point of view. The Donegal businesses did not get a choice in Brexit. They did not get to vote but it was the first time in a long time that I have seen them animated, ringing and asking, "What is going to happen and how will we deal with this?" We did not have an answer. Yes, Enterprise Ireland are doing their bit and IDA are talking to their client companies. The south of

Ireland are trying to have conversations at least about it. But it goes down to what we have all said.

Donegal: there has been a land border there for years but it has been fluid since the peace process, since the military borders came down. We are used to that. We work across it every day. Any impediment is going to cause us problems. But Sinead is right: we are way behind the game. We do not have a motorway, we do not even have a dual carriageway. All our businesses who deal with Dublin and have employees working in Dublin—Michael alluded to this earlier on—have to drive through Northern Ireland to get to Dublin on a road.

Until we start improving our infrastructure in that way we are never going to live up to our aspirations. We talked about the strategic growth with the two councils. For many years, especially during the recent recession, we were not doing cross-border, it was not on the agenda, politically it was not well thought of. We realised in the last 18 months we are back to working together and great co-operation going on. I am very heartened by it. That could help this region so we have to take that message back to both Governments to negotiate on behalf of the north-west region.

Bob Stewart: Thank you, Chairman. One final comment. May I suggest that you get a message to the Minister for Brexit and tell him to send himself or one of his Ministers over here to listen to what you have had to say because that is very important? Thank you.

Q347 **Chair:** If I could just come in on the connectivity point. It is very frustrating that we quite often have to go to Belfast to get here. A number of members did that last night. Some of us came over this morning. Tomorrow morning, as part of the privilege of being chairman, I have to get up at 4.00 am to get not a flight from here but to go to Belfast. That is losing business for this area. Do you work with the carriers to see if something can be done about this? To me that is a big deterrent to come into this area, which I do not want it to be. It is a great place to come to.

Sinead McLaughlin: At the Chamber of Commerce, the chair of the City of Derry Airport is on our board so we would work very closely with the airport and with Derry City and Strabane District Council. Small regional airports are experiencing difficulties throughout the UK, throughout Europe, so it has been a difficult period. The Belfast City Airport and Belfast International Airport have grown their routes in the last six months, so that is quite good for Northern Ireland, but again it is back down to the connectivity and the road connectivity from those airports into the second city. It is difficult and you have our sympathies. We do that all the time.

Q348 **Chair:** I am not looking for sympathy for us; it is more the other way round. I have sympathy for you because of the difficulties. The second non-Brexit point I would like to put to you is the reason I have to go back is to catch the statement the Secretary of State will make on what looks like a failure of Government in Northern Ireland. I do think you need to be giving your local politicians a message that it is not good enough. That is nothing to do with Brexit. We can hide behind the Brexit arguments but neither of those two things are connected. I do not know if you wish to respond.

Gavin Killeen: We do meet with the parties regularly. The parties have to put the economy at the heart of business and that is not what happens and what has not happened and why all these difficulties happen. We are just not addressing the connectivity when we are looking at higher education, strategy and all the other things that need to be done because the world is moving on and we are not.

We have an abundance of very talented young people. We have the highest level of A-level attainment within the United Kingdom. We are producing kids that are very bright yet we have the lowest level of university places for them. So they leave Northern Ireland and they go to Scotland, and they go to London, and very few of them ever return here. They go and create wealth in London and they do not come back.

Chair: I employ one of them as well.

Q349 **Danny Kinahan:** Thank you very much, good to be here. For Bob, we can enjoy the rain wherever we are. I always think it is one of the lovely things here.

Bob Stewart: Speak for yourself.

Danny Kinahan: On infrastructure, that has become the key matter, whether it is the A5, the A6 for getting you here, but I wonder if you would show to me how vital those roads are because I assume the 39% that Gavin spoke about that goes to Europe is either crossing the border through the north to get to the south, to go through Dublin and get to Europe that way, or it is going through Stranraer. How much goes in which direction roughly? Is there a way of knowing how much is crossing the border even just to get to Europe?

Toni Forrester: It is hard to say. Our hauliers would probably tell you all of their traffic from the Donegal area has to go through Northern Ireland. I believe they will know the figures.

Q350 **Danny Kinahan:** If you had borders there would be increased costs?

Toni Forrester: What they have said to us is they assume there is going to be some kind of—the goods are going to have tariffs. Companies are not going to be able to mitigate that for a start and hauliers will have to—we assume there is going to be some kind of border or some kind of customs—put some extra cost, as was said earlier on, to no benefit to their companies.

My question would be around if they are coming through Northern Ireland to get to the EU or the UK how do we police that, how do we manage that? I cannot see the answer to it. We assume we have bonded lorries again where you cannot offload goods until you are at the destination. That all has to come at a cost. A know a lot of the rhetoric that was talked about on the lead up to Brexit was they can be policed electronically but somebody has to pay for that.

Because of where we are, in our unique position, our businesses in Donegal, for example, hauliers will have to pay for that, the people making the goods are going to have to pay for that. We are at a disadvantage again and our peripherality is bad enough without adding another cost to businesses.

Q351 **Danny Kinahan:** Thank you. When the previous group were in here one of my questions was: is anyone looking at coming up with ideas as to how we deal with it? Because we are getting the problems thrown at us but no one seems to be sitting down and saying, "Right, the way we are going to have to deal with borders" do you have anyone on the Chamber of Commerce looking at it anywhere?

Sinead McLaughlin: Some of the suggestions that we have been hearing is that obviously from our perspective we want to have an open border for people and for goods. So that would necessitate probably the EU border being within the UK mainland rather than here or at the ports and airports, rather than an internal border within the island of Ireland. Again, that has various political connotations. But we are going to have to work through some of these major issues in order that we can protect the island of Ireland.

Again, just bringing it back. The peace process needs to be protected as well. The EU has put a lot of effort into driving peace through the various funding models and the integrity of the peace process must be given recognition within that island context. Any physical manifestation at all of a border will have psychological impact here as we could all see today a very unstable peace process, as we speak, this week.

Danny Kinahan: Thank you, you have been very clear on that. It is a huge issue and the politicians from here very much will take it on board, so thank you.

Q352 **Tom Blenkinsop:** Thank you for being here this afternoon and thank you for having us as guests. Toni, I wanted to pick up on your point in relation to a reduction in VAT because obviously you give the example in Donegal, which is the Republic of Ireland, which is in the European Union. The European Union did not prevent reducing VAT for that specific sector. France and Belgium also followed suit. Indeed the Labour Government prior to 2010 reduced VAT from 17.5% to 15% on a temporary basis. Just a point of clarification there, Chair.

Chair: Sorry, can I clarify? The point is you cannot reduce it for part of your jurisdiction. In other words we cannot reduce it just for Northern Ireland; it would have to be across the UK. That is what I was getting at.

Q353 **Tom Blenkinsop:** Thanks, Chair. That is an interesting example that we should be taking as a Committee to the Prime Minister and the negotiations going forward, but the wider question is: would you prefer to see Northern Ireland remaining within the customs union, even if the rest of the UK left?

Toni Forrester: We were just talking about that earlier. The answer is yes, probably. We do not want to leave. So, yes, but again does it solve the problem? Do we end up as a little statelet or a little grid all on our own? I definitely think we need to look at this. Maybe we have to sell it this way. We need to look at this north-west region as a region and repeat to various politicians to a certain extent to say, "Right, you have to look at this differently. We are a unique place and we would like to treat it as such".

Sinead McLaughlin: Just to endorse what Toni has said. Northern Ireland has exceptional circumstances. The north-west is in the eye of the storm. I do think covenants must be given and—I am reluctant to say a special status, given all of our circumstances—should be negotiated for Ireland.

You are asking about the question of customs union. Yes, we would like to remain in the customs union if that prevents a border. We need fundamentally no borders and freedom of movement of goods and people and services in this island in order to protect the integrity of the economy that we currently have and currently enjoy, and wish to grow in the future.

Gavin Killeen: I would agree with Sinead as well. To maintain business moving within the island of Ireland, if we had to remain within the customs union that would be a positive outcome.

Q354 **Tom Blenkinsop:** On a separate point, although it is linked to it. I was looking again at the booklet provided today in relation to Northern Ireland employment figures by sector 2014. There are quite significant numbers of EU nationals. If you take administrative and support services, that is quite a significant employment number. If you take manufacturing I think it is 16%. If you take agriculture it is almost the entirety of the workforce across Northern Ireland. Is that reflected among your members in your Chambers of Commerce?

Gavin Killeen: It would be to a certain extent here. A lot of that is reflected in the agri-food sector that we have in Northern Ireland, which has grown significantly over the last 10 years, and the growth that has taken place there has happened because those businesses have been able to rely on foreign nationals to come and do those low-skilled—

Q355 **Tom Blenkinsop:** The EU nationals?

Gavin Killeen: Yes. Those low-skilled work, and quite often local people do not like to do that type of work and many of those businesses that employ a significant number of people—some of them are employing 4,000, 5,000, 6,000, 7,000 people—were probably 80% of their workforce and 100% of people in the factory floor are EU nationals.

Tom Blenkinsop: Is that the case for your members as well?

Toni Forrester: I probably do not have as many members in that field. Some of our larger FDI companies employ both EU nationals but also non-EU nationals from all over the world, based in Letterkenny. That is a reflection of our type of place. Letterkenny is a very open place in terms of all types of people from all over the world live there. In Pramerica in particular, you have your IT professionals who are attracted to the work for a start, but also that it is Ireland; it is safe, it is green, it has rain. All of that. They have a good job there in a worldwide company doing high-end IT.

I know Michael alluded to this earlier: they had concerns about those employees, had concerns about how they travel through Northern Ireland to go to the customers, but also just to live on a daily basis.

Q356 **Tom Blenkinsop:** On a wider issue for your members. Obviously they will be running businesses, just in those three sectors alone I was thinking about the energy consumed by those businesses. You take agriculture, for example, certain manufacturing, and I would imagine for support services and administration, which would probably be around IT as well, energy must be a huge concern. In Ireland you have the single energy market. Have you had any conversations with your members about changes to tariffs in relation to the energy market in Ireland and what consequences that might have in energy bills for your members?

Sinead McLaughlin: In Northern Ireland we have one of the most expensive energy costs, particularly for manufacturers, so energy is always a concern and it is always up there, number one, for those in manufacturing. We are concerned about the single energy market. But I also think the energy market is an example of how when things are done right on an all-Ireland context how it can be so beneficial. It is an example of us using our resources more effectively by having a single market, a single energy sector.

But it is very difficult for businesses at the moment. We are at the behest of listening to news outlets that tell us what could be happening, what might be happening, the speculation around it. Our businesses are waiting until they hear some firm negotiating stance that the British Government is going to take. I am sure tomorrow the PM may bring more clarity to the situation. The news of the weekend and Andrew Neil in "Sunday Politics", it was all heading towards a hard Brexit. Whether that is a game play we do not know, and we feel very far away from the centre of the negotiations here in the north-west. The business community in Northern Ireland in general are not feeling very included or feeling that our voice is not heard. That is why we welcome talking to the Northern Ireland Affairs Committee today because our voice needs to be heard.

We are in the eye of the storm and we need to be able to articulate and for you to come to this region and understand this region. Sometimes you have to see things and touch things to know what it means to the people in their daily lives in an economic, social, physical and geographical way but also in a cultural aspect. Our voice is not getting into it. We have a very small population here in Northern Ireland, 1.8 million.

In the scheme of things, when you look at the population of England there is a greater scale there, there is a greater voice there, you have your finance services, all of the other things that trump—pardon the pun again—are probably issues here. But our issues are fundamental and they are probably one of the most difficult issues that we need to overcome within these Brexit negotiations. You only understand it if you come here and speak to the business communities and to see the totality, how this region will have an EU border.

We have 68 miles of border around Derry City and Strabane District Council, and we have 50 crosses on that border. Customs will not be able to police that in any effective way, whether it is electronic, physical or whatever. It is just impossible. You are asking me, technologically how are we going to do it, I do not know.

Q357 **Tom Blenkinsop:** What concerns me, back in 2010 the then Prime Minister highlighted Northern Ireland, as well as my own region, as two regions that were going to receive less central funding because they had to bolster their private sectors more. These four sectors are all private sectors. Administrative and support service is private, accommodation is certainly private, manufacturing is private and agriculture is private. They all have large proportions of EU nationals working in them and are predominantly energy dependent. The message given six years ago seems to be lost somewhat. What do you think, Mr Killeen?

Gavin Killeen: There are probably a couple of things there that that highlights. We have a very large problem in Northern Ireland with the skills gap. We have a number of people that leave secondary school without the basic levels of skills to get a job, and that is English and ICT skills. There are a lot of people who are currently unemployed who do not have the skills to meet the jobs that are available within the IT sector.

We also have a growing, as I mentioned earlier on, agri-food sector. There are many people who choose not to work in that sector and a lot of the foreign nationals have come over to work in that area. In the IT sector that demands a high level of competency, within tougher development, tougher engineering, infrastructure and all those sorts of skills that we do not have here, a lot of those again are foreign nationals that have come in because businesses need to fill those positions, therefore they have to go into Europe and further afield, the Far East as well. It is a challenge for many of our employers that have their employees saying, “What is going to happen? Am I going to be sent home again?”

We have a vibrant Polish community here that have come and integrated very well, particularly here in the north-west and a number of our businesses employ them. They are the private sector. That is what the private sector has done. It has brought in foreign nationals to achieve what it needs to do.

Northern Ireland does not have an issue with people looking to come to Northern Ireland. We only have 4% of our population are migrants but that makes up I think it was 19% of the manufacturing sector. We do not have the same challenges that the south of England has with migrants coming over. They do not generally make it over here because it is not a particularly attractive place. There are not that many jobs for them to come to.

The ones that generally do make it here come because they only want to work, and they do very well. I would employ them. They work for me. They brought their families over. They moved over. They have integrated into society and they have become very much part and parcel of what we do.

Let's come back to the energy. Sinead mentioned earlier on our energy costs in Norther Ireland are significant. They are the highest costs within the United Kingdom. Again it goes back to the lack of investment in our infrastructure. Our energy infrastructure is still based on a system that was put in in the 1950s. That was based on three centres of power generation and energy was pumped out in one direction.

In the 1950s obviously we did not have renewables, we did not have wind energy, now we have all those challenges. Within the island of Ireland there is not enough energy to keep us going. The way we are set up at the minute, in 2025 the lights will start to go out in Northern Ireland because we do not have enough energy that will meet the demand that is going to be there. Therefore there is the north side interconnector that needs to be built. What implications will that have with Brexit? Currently there are negotiations around where that should go, should it go overground or go underground, but it has not been decided.

Again, we have our Assembly likely to go out for another vote. We will delay everything by another six months but yet the clock ticks and things move on. It is another area that needs to be addressed and it is another area that we have significant underinvestment as a result of the difficulties and the challenge that we had for the years of the Troubles.

Chair: Energy is another issue we are looking at as a Committee and your points are well made. Thank you.

Q358 **Nigel Mills:** Perhaps I could just pick up on a few of those questions. Mr Killeen, are you entirely happy with the current energy situation and the EU energy policy or perhaps some improvements you might like to see made to help grow the economy in Northern Ireland?

Gavin Killeen: Having a greater supply of energy. One of the challenges we have here is around planning and bringing new energy. If someone wants to build a new factory, generally the planning process to go in to get linked into the grid goes to—it is a sequential system therefore if a farmer wants to put up a wind turbine he is in front of a factory that is potentially going to open to employ 2,000 people, which is wrong. That needs to be addressed. It needs to be corrected.

But the businesses here have to live with 25% higher costs for energy than what is in the UK. That does need to be addressed.

Q359 **Nigel Mills:** I am just flicking through the Chamber's website, and I saw you had an energy event 11 months ago, of which one of the issues was the changes being introduced to meet the European Union's target model. I was thinking maybe you had some concerns about the direction it was going or at least the Chamber did. Can I just go back to the idea of a customs union in Northern Ireland, staying in it and Great Britain leaving it? I assume everyone's first choice is that if any part of the UK leaves the customs union we should have a deal with no tariffs and no new barriers, and that looks to be the best option. Is that something you would agree with?

Gavin Killeen: Yes, if that could be possible that would be the preferred route that we would have.

Q360 **Nigel Mills:** Let's just go for the worst-case scenario that we end up on WTO-plus as the trading model. Wouldn't the impact of Northern Ireland trying to sustain the EU Customs Union and the rest of the UK leave mean that the EU's common external tariff would apply on flows between GB and Northern Ireland in that situation?

Sinead McLaughlin: It is difficult because we are talking about a very base book model. This has not been tried and tested. I know there are conversations like a Norway/Sweden model and all of that there, but this is very specific for a region within the UK to have a different set of standards. But there are difficulties. The complexity of it just makes the mind boggle. There has to be a solution where we, as an island, can move goods and people freely throughout the island with as little barriers as possible in terms of tariffs, and so on.

If we jump off the cliff into this very hard Brexit and we go into WTO there will be significant problems, and I do not even know if some of our SMEs how they will absorb those costs. Particularly some of the higher end costs within the WTO for the agri-food sector because they are very significant.

We have very complex supply chains here. For example, milk production goes back and forth over the border before it is complete. I just do not know how you would work this if you do not have that ebb and flow of businesses being able to do it because we would have farmers bringing milk from the north into the Republic of Ireland to go through the whole pasteurisation processes, and so on, and then move them back into—and the same with bread. Just fundamental goods that would happen probably in Gloucestershire going into Oxfordshire but you would not have to think about, "Oh, we are crossing borders here".

So this is just fundamental difficult complex supply chains that we need to be able to overcome. The island has to work first and then we will see how the island or Northern Ireland can work with the rest of the UK and how I am sure—the one thing that we have here is friends in the UK and friends in the Republic of Ireland. So that is good. Our difficulty is how to ensure that the other 26 EU countries will regard a very unique status for Northern Ireland to allow us to prosper.

But they have invested so much into this region that they will be looking for solutions rather than trying to build barriers.

Q361 **Nigel Mills:** Thank you for that. We agree that the ideal solution will be a trading deal with no tariffs or barriers. I just was a little concerned for what a mischievous headline writer might write in answer to Mr Blenkinsop that you liked the idea of Northern Ireland staying in a customs union with the EU after the rest of the UK had left. The question I was putting to you was, I suspect if I was one of your members who was exporting a lot to the mainland or importing a lot from there, I might be quite horrified at the idea of there being tariffs having to be applied on that because one was in the EU Customs area and one would not be. I was a little nervous for you that you had expressed such a strong desire for that to be the situation whereas perhaps that is not quite what you meant.

Gavin Killeen: No, it is not. We want free movement of goods and services within the island of Ireland. We want still access to the United Kingdom and any free trade agreements that may come about as a result of Brexit. That is the ideal situation because obviously people still do trade with the United Kingdom. But it is fraught. It is very difficult. It does not make any sense to divide an island. An island as small as the island of Ireland with fewer people on that island and to have two different jurisdictions within that. You can imagine what would happen if Wales was to be cut up. If it was not Northern Ireland and this argument was around Wales or Scotland, and the same challenges in the UK. Things would be looked at in a different way than what they are over here. It is very difficult and it is very hard to see how you can come up with a solution that solves all these things.

Q362 **Nigel Mills:** I think you probably accept. I just wanted to make sure that in the event we went into WTO-plus perhaps you might not want to have a special status and Northern Ireland being in the EU Customs Union rather than the UK on that. Perhaps something you want to think about depending on the precise details of what that involves. Is that a fair conclusion?

Gavin Killeen: That is fair, yes, absolutely.

Q363 **Nigel Mills:** Can I perhaps just ask a last couple of questions? In terms of your key asks of the UK Government, I presume maintaining the Common Travel Area, so there is at least free movement for Irish and UK nationals across the border, would be the key priority. That is something that presumably, first, applies on both sides of the border and, secondly, you are quite encouraged that both Governments say they do not want to see the Common Travel Area changed.

Gavin Killeen: Yes, I think everybody here would agree with that, there would be free travel between nationals from both sides across the border, yes.

Q364 **Nigel Mills:** Because when Mr Blenkinsop was quoting figure 9, which is the foreign nationals employed by sector in Northern Ireland, I think the

EU colours on that chart include Republic of Ireland nationals, so I assume a very large proportion of those light blue bits of the bar chart are Irish nationals in that situation.

Sinead McLaughlin: Sorry, what page are you on?

Nigel Mills: It is page 27, figure 9.

Gavin Killeen: Yes, I would assume the vast majority of those would be Irish nationals.

Sinead McLaughlin: Can I just talk about the Common Travel Area again? The Common Travel Area has no statutory basis. It is not in any legislation. It is a bilateral agreement between Ireland and the UK. Because it was based on similar immigration laws then it will change—the Common Travel Area and whether it could change after we leave the EU. I would not be too sure that the Common Travel Area will remain as it is or will be accepted within the—it is protected under one of the treaties; I think it is Protocol 20 or something like that. But once we leave the EU that protection doesn’t stand up. Have you had any evidence in relation to the Common Travel Area because I would be quite interested to hear?

Q365 **Chair:** I am trying to think what evidence we have received on that. A lot of people want it to remain. There are rights of Irish citizens with regards to the United Kingdom, which are enshrined in law. But obviously as we go forward—it predates the UK and Ireland’s entry into the EU. It predates the EU itself by a considerable number of years. A lot of the British constitution is not written but in some ways that is the more solid part of the British constitution. We have not come across witnesses who want to end it at all. Quite the reverse.

Sinead McLaughlin: There was a submission made by Professor Dougan to the Committee here and he had indicated that it is not just straightforward in law, the Common Travel Area. I am concerned about that as well because there is a certain level of protection in that. Just even within the Good Friday agreement and how that pans out as well. It is something I would like to look into further because I would not be too sure about.

Chair: Okay, we have covered all the questions unless there is anything else you would like to add. We have covered a lot of areas. It has been a very useful session. We have heard from the councils earlier and then people in business and connected to business. Thank you very much. We are here, as you can see, the majority of us—and no disrespect to our Northern Ireland colleagues—on the Committee today are from England. We have still expressed a strong desire to come to this part of the world and learn about the issues here on the ground.

I am not using this as a political platform and it is regrettable that Assembly members are going to be distracted from this issue over the next few months. I do not think that is a controversial statement at all so we will hopefully put that right as quickly as it can be put right. But even so, your voices are being heard, certainly by this Committee. We voluntarily undertook this inquiry following the Brexit vote, so your evidence to us has been very useful indeed. Thank you very much.