HOUSE OF COMMONS

Northern Ireland Affairs Committee

Oral evidence: Bombardier, HC 533

Wednesday 6 December 2017

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Watch the meeting

Members present: Dr Andrew Murrison (Chair); Maria Caulfield; Lady Hermon; Kate Hoey; Jack Lopresti; Nigel Mills; Ian Paisley; Jim Shannon; Bob Stewart.

Questions 145 - 194

Witnesses

I: Jonathan McAlpin, Chief Executive, East Belfast Enterprise; Stephen Kelly, Chief Executive, Manufacturing NI; Richard Hogg, Board Member, Manufacturing NI.

Examination of witnesses

Witnesses: Jonathan McAlpin, Stephen Kelly and Richard Hogg.

Q145 **Chair:** Gentlemen, good morning. It is a great pleasure to see you here today. Thank you for taking the time to come and talk to our Committee on the important subject of Bombardier. The significance of Bombardier does not need to be rehearsed by me. The point of what we are doing is to explore fully where we are with Bombardier right now, given its central importance to the economy of Northern Ireland. We will also consider the wider manufacturing-based economy in Northern Ireland, how we can strengthen it for the future, given recent turbulence and decline, and how we can support those parts of the economy that feed into Bombardier and generally make things more secure.

I am conscious of the polarisation of Northern Ireland's economy and how we need to diversify it going forward, to ensure that the jobs of people in Northern Ireland are more secure than they have been in recent times. I would invite you, gentlemen, to give us a brief synopsis, in a very few minutes, of how you see the current situation with Bombardier and how you might see the issues I have just mentioned being addressed by Government. In particular, where do you think the Government might do more than it has already?

Richard Hogg: Thank you very much for the invitation to be here. My name is Richard Hogg. I sit on the board of Manufacturing Northern Ireland, along with Stephen Kelly, who is our CEO. Jonathan, you can make your own introduction. My background is that I do that, but I am also a director in Macrete Ireland and the Precision Gear Company. We are a precast concrete company. We just finished Tottenham Hotspur in town here, and we have a few other major contracts. We employ about 200 people. That is who we are.

Stephen Kelly: I am Stephen Kelly. I am chief executive of Manufacturing Northern Ireland. As a bit of context, manufacturing is continuing to grow in Northern Ireland. It is one of our fastest growing sectors, both in terms of its economic contribution and employment. We can all easily get caught up in bad headlines, and there has been some pretty bad news over the last couple of years, particularly in the North Antrim area, with both JTI Gallaher and Michelin. Despite those redundancies and large headlines, our manufacturing sector continues to take on more people. It continues to be busy. It continues to employ people right across Northern Ireland.

I have submitted to the Committee a very short paper, which is a synopsis of some research that we had commissioned from Oxford Economics. It unpicked, for the first time, what the manufacturing sector in Northern Ireland was and the impact it was making across each individual council area. It was the first time that was revealed. It showed that the sector maintains a very healthy position. At that point there were about 85,000 people directly employed in our manufacturing sector.

When you look at the long tail that manufacturing has, in terms of its supply chain et cetera, it equates to one in four jobs in Northern Ireland depending upon a manufacturing wage this Friday, and every Friday this month. Far from being a twilight part of our economy, it is a pretty strong and robust part.

As recently as the last two weeks, some research from InterTradeIreland showed that our manufacturing sector is busy and vibrant: 90% of firms were either stable or growing, and the future continues to look bright for the sector.

Jonathan McAlpin: Thank you for the invite. I am Jonathan McAlpin. I am the chief executive of East Belfast Enterprise. I am here to bring slightly more of a local context to the impact that Bombardier and any issues that come out of it might have in east Belfast and beyond. Historically, the impact that the decline in shipbuilding and things like that had directly on east Belfast has left a void that is still there. A lot of the disadvantage and problems that we have relating to inner east Belfast are still coming from that history. I am not so sure that Bombardier will have the same direct impact within our territory. It is a much broader field. I suppose we have to look at where people are, the employees and the people who work there, and the impact they have.

To see how this might play out, you can look at the things that Stephen just mentioned: JTI Gallaher and Michelin, and the impact they had in Ballymena. I was speaking with colleagues from there just yesterday. They were talking about how the big impact was less on the employees and finding work for the employees, because there was a lot of job mobility. There was a highly skilled workforce there. A lot of work was done in the early days to plan for potential redundancies and so on, so structures were put in place. Reskilling was put in place and people were able to find other work, but quite often by being mobile and moving to other areas.

The big impact was on the local economy, because a lot of these highly skilled and well-paid jobs that had been local were lost. That had an impact on the local economy and around Ballymena. They talk about how it could take until 2030 to make a full recovery back to what it was. There is an impact on local retail, supply chains and things like that. That is where our concerns would largely be focused: how that might have further impact on our area.

Our organisation is part of the voluntary sector. We are a social enterprise. That sector does a lot of work with employability, helping people back into employment and helping to deliver services locally. It is suffering significantly from underinvestment and lack of resource. That would worry me. If we do not plan ahead and invest in the support infrastructure that we need, we could be in difficulty down the line should things not go in the way we would hope.

Q146 **Chair:** We have been hearing evidence from various quarters about jobs, the number of jobs and the quality of those jobs. We visited Bombardier in Belfast recently and heard that apprentices were not being taken on, which worried us. I think all members of the Committee were concerned about that. Could you say what your views are on not just the quantity of jobs but the quality of them? Are you particularly concerned about apprenticeships? I have to say that came as a bit of a blinder to us when we visited. We made a conscious note that we needed to consider that more closely and certainly form a view on those apprenticeships.

Stephen Kelly: Our advanced manufacturing sector is enormously important. In fact, it paints the picture of where we need the entire sector to get to over a period of time. I know the UK Government are keen on doing that as well with their new industrial strategy. If you look at productivity alone, our manufacturing sector in Northern Ireland is 38% more productive than the Northern Ireland economy. The advanced manufacturing sector is an additional 27% above that. These are highly skilled, very productive people, and they are rewarded accordingly.

The challenges in terms of the apprenticeship scheme with Bombardier are twofold, in our view. First, the company itself has been doing some restructuring over the last number of years, trying to find a way to become profitable, having lost money for some time. In addition to that, the cost of employing people in Northern Ireland has increased, in terms of employment-based taxation et cetera.

Recently, the introduction of the apprenticeship levy took roughly £300,000, in our estimate, out of what would have been the training budget for an employer like Bombardier. The Committee will know that Northern Ireland firms do not have access back to that cash. There may be some good news on that on the horizon. Maybe the Committee can help us uncover and understand that. Taking £300,000 out of what traditionally would have been the training budget has an impact in terms of apprenticeships, in our view, not just at Bombardier but elsewhere.

Q147 **Chair:** Is it your view that the UK Government should be doing more to apply leverage to Boeing? We have heard from Unite the Union recently that, in its view—this was Northern Ireland Unite—the British Government should be doing more. On the downside to that, Boeing is quite a big operator throughout the whole of the United Kingdom. Leverage over one particular issue may have unintended consequences elsewhere. The strong view expressed by the representatives of the workforce was that we should be doing more to impress upon Boeing, and I suppose also the Administration in Washington, that we are not to be messed with, as a major customer of Boeing. I wondered whether you might have a view on that.

Stephen Kelly: I do. I usually have a view on most things. The reality is that the Bombardier story is not an east Belfast or Northern Ireland only story. This is a UK story. In fact, it is an all-island of Ireland story as well. Bombardier spends hundreds of millions of pounds throughout the entire supply chain. There are about 800 suppliers right across the UK supplying into that business in east Belfast. This is not only a story for a small part of the United Kingdom; this is a United Kingdom story.

Our view is that, yes, the UK Government should be paying a lot of attention to this issue. I viewed the evidence that Unite gave and the exchange that the Unite union from Belfast had with the Committee. It was very firm that the UK Government has not gone nearly far enough. I understand the challenges that policymakers and people in this place have with their own constituencies as well, so it is no surprise that Unite would push that. It is also no surprise to us that others would be a little less forthright in that approach.

However, part of the issue with this story is that the Bombardier problem is seen purely as a Northern Ireland and Belfast problem, but quite clearly it is not. This is a UK national problem as well. If it was viewed on that basis, the attitude from all people in this place would be to support the appeal to ensure that Bombardier's unnecessary tariff is not applied to the C Series jet in the United States.

Q148 **Jim Shannon:** Thank you, gentlemen, for your presentation, as always, and for the hard work that you do on behalf of the sector. It is much appreciated. I am very encouraged by your response to the Chairman in relation to the apprenticeships and understanding that better. The apprenticeships are not just about Bombardier. They are across the whole of Northern Ireland. There is a very skilled and young workforce coming through. I am also encouraged by your comments in relation to the manufacturing base. You were saying that it is increasing. I do not know whether that is an increase from what it was three or four years ago, taking JTI and Michelin out of that process, but it is good to know that we are coming back.

I am very conscious that a question came up last week when we had our visit to Bombardier about a manufacturing strategy for Northern Ireland. I know you are going to tell us that there is, but that question is asked of many people in business and those of us who are elected representatives. While Bombardier is very important to that base, of equal importance is the supply chain that feeds into Bombardier and keeps it all going. Could you give us some thoughts from your point of view in relation to manufacturing and the importance, not only of Bombardier in that manufacturing chain and the strategy for Northern Ireland, but the supply chain that feeds into that?

Stephen Kelly: For every job in manufacturing across the entire manufacturing sector, an additional one and a half jobs are supported through the supply chain and in that part of the economy. When you get to these high-value advanced manufacturing roles, that multiplier increases several times. You are absolutely right that there are suppliers in your constituency and all constituencies, not just in Northern Ireland but probably right across the UK, that depend on the work that is being done there in Belfast.

We believe that a bespoke manufacturing strategy is needed for Northern Ireland. It is not just in terms of addressing some of the challenges that manufacturing faces, but there is an enormous opportunity. If the intention of an Assembly—we all hope that we get one back sooner rather than later—is to have a balanced economy that is growing and making a greater contribution, in terms both of wealth generation and job generation, nothing reaches further in the Northern Ireland economy than the manufacturing sector.

You will not have large American call centres or software houses opening up in rural constituencies across Northern Ireland, but you will have manufacturers there. We have some world-beating firms down the back lanes of farm buildings, towns and townlands right across Northern Ireland. We are really good at it. It is a strength that we have. Innovation is at the heart of our people. We are great at selling, at home and abroad. We are very industrious in terms of our work ethic. The opportunity exists to begin to make a contribution back to the UK, rather than what we are currently doing at the moment, which is taking £10 billion per year in order to keep the show on the road.

For us, it is not just about the need to address problems, issues and concerns. There is a massive opportunity within our manufacturing sector, in terms of the rural economy as well as the urban economy.

Q149 **Jim Shannon:** People always talk about the amount of money we get in Northern Ireland. Sometimes it is forgotten that our contribution in Northern Ireland to the economy of the whole United Kingdom is quite massive. It would be good to get those figures, if they are available.

I ought to ask a wee question. Back in the summer, things looked fairly bleak for Bombardier and where we were. The last few months have led to new contracts and a possible partnership with Airbus. Could you give us your thoughts on where Bombardier sits at this moment, if that is agreeable to you and you are able to do that? As Lady Hermon was saying earlier on about the other contract that was secured this week, things are brighter. What is your opinion?

Stephen Kelly: There are a lot of wins to be had from the partnership between Bombardier and Airbus. They have complementary skills, experiences and proprietary technology. Bringing Airbus's own workload, in addition to its expertise in terms of international sales and the outreach it has, will be beneficial to the firm in Belfast and, as a result, to the supply chain. There is no doubt about that.

The challenge comes with the importance that the C Series will have for the future of the jobs based there. The world is a big place; we know that. There is a growing aircraft market in the east. However, the American market remains the most important market, in terms of aircraft. We need to get this nonsense tariff, as we have described it, removed from the C Series in the United States market.

I know that Boeing put its evidence and submission into the International Trade Commission, I think on Thursday of last week. I have not had a chance to read through the detail, but the Committee might be interested in looking at that. Getting this tariff overturned and finding some reasonable conclusion to this will be critical to the future of the firm, regardless of the new relationship with Airbus. Airbus has made it clear that Bombardier is going to be a critical part of its future.

The C Series is an aircraft that impresses users, passengers, airlines and the industry. It needs to have its opportunity to be in the marketplace sooner rather than later. We would hope that this House and others would use whatever influence they can to secure a change of view, in terms of the American Administration, to allow that aircraft to be entered into that marketplace in a reasonable way.

Q150 **Jim Shannon:** The last point I want to make came up last Thursday at the factory. We knew of it in a way, but the cost of energy for Bombardier to manufacture and the cost to operate the factory was interesting. It has done a lot of work with solar panelling. I think the figure I was told last week was that it has reduced its costs by 70%. How important to the manufacturing base, Bombardier and those in the supply chain are energy costs, which are greater in Northern Ireland than in the rest of the United Kingdom? In your professional capacity, what do you feel that we should be doing to address that?

Stephen Kelly: No one has done more than Bombardier to try to take control of energy costs. That was for very good reasons. Its bill was in the region of 20 million quid just a couple of years ago. It has invested a huge amount and in partnership with others to develop some energy independence so that it can get some clarity and competitive energy prices way out ahead, not just now, but for the next 20 years. My understanding was that the bill here was about three times the bill that it would have had in Canada, for instance.

No one has done more than Bombardier on taking control there, with those acres of solar panels on the roof and the waste energy plant that it is developing alongside a partner. That will fix its energy costs for a period ahead.

I have some good news for the Committee in terms of energy prices. We have been probably more vocal than any other organisation in terms of energy prices, but it is only fair that, where there is success, it is recognised. Northern Ireland now does not have more expensive prices than the rest of the UK. The UK is now the most expensive market in Europe for energy prices. Of the large energy users, Northern Ireland is sitting fourth most expensive. It is still the wrong end of the table, but that is a move from being the second most expensive to now being the fourth. To be fair, that is because of great work by the Utility Regulator and others in terms of getting control of some of those energy prices. The UK has a problem. I know this House has long expressed concerns about that. Northern Ireland is now beginning to take some control of that problem, and we are starting to see some success, which we are pleased with.

Q151 **Lady Hermon:** It is very nice to see you all here this morning. I have taken some notes, and those have given rise to a number of questions. Could we just follow on from the energy costs, the good news that you have said that Northern Ireland is no longer the most expensive place for energy in the UK? In that context, could we ask you about the north-south electricity interconnector? We understand it to be absolutely vital, but it may well be affected by the Brexit negotiations. Could you reflect on the impact on the continuing downward trend for energy prices in Northern Ireland, if the north-south interconnector were to be jeopardised?

Stephen Kelly: Richard is in the energy industry, so he can do that. I will kick that off, Lady Hermon. Our view is that the north-south interconnector is critically important. It is not because it will drive down huge amounts of money out of the market and bring much lower prices for Northern Ireland in the short term. I think the figure is by 2025 it will save €20 million per year. We are about a quarter of that market, so it is about €5 million, so say £4 million. "Every little helps", as Tesco says, and £4 million less is much better for us than having £4 million more.

Where the interconnector is more critical is in terms of the security of supply. If we do not have that, we need to build lots of big, expensive power stations. There is energy on the island. There is energy being generated by conventional generators and wind generators. The wind is the real reason we are starting to see prices reducing, alongside the work that the regulator has done on price control. That wind is there. If we are going to benefit from that natural resource, which is probably one of the best natural resources that we have, we need to make sure we have an energy system that allows that electricity to travel throughout the system, as well as needing to have a part in a larger wholesale market.

Richard Hogg: What Stephen has said is quite correct. Renewable energy is part of the business that I am in, and it is connected with wind. If Bombardier's new plant has surplus energy it must go somewhere. There could be somebody in Cork who needs that gigawatt of power. It can come from there, if we have a proper interconnector. I cannot see any reason why we should not have it. The Brexit negotiations and all these things that are going through are muddying the waters in what is a very important thing for us in Northern Ireland. It needs to be sorted out, sooner rather than later.

As Stephen says, wind is intermittent. It can be blowing in Cork, might be blowing in the Sperrins, but it is not blowing everywhere all the time.

Getting that distributed around is very important, not just to Ireland but to Europe in general. We can sell into Europe, across the UK and whatever. Interconnectors are really important for us.

Q152 **Lady Hermon:** Moving to Bombardier, a number of times, Stephen, you said that the British Government could be doing more. More could be done to assist Bombardier to get this complaint from Boeing off the table in the American Department of Commerce. What more could the British Government do? What more would we expect of the Prime Minister, given that she has many things on her desk and her mind at the present time? What more do we expect the British Government to do?

Stephen Kelly: I have noticed in the news that she is busy. I am quite attracted by the idea that, as our colleagues in the unions have said, the UK is a big customer of Boeing. If the UK is serious about protecting jobs here in Northern Ireland, and I appreciate that Boeing also supplies jobs in the UK, it needs to use that leverage in all our interests. I understand the challenge of trying to balance between different workforces in different parts of the UK. I am worried that the Bombardier story is only seen as a Northern Ireland problem, when really this is a UK problem. We need to address it on that basis.

Q153 **Lady Hermon:** Would you expect the Secretary of State for Defence to announce that defence contracts in the UK that are placed with Boeing should be threatened or cancelled? What exactly do you mean?

Stephen Kelly: I believe that the Defence Secretary should be making it clear that those contracts are not permanent and are at risk. It should be made clear that if there is an approach from a competitor to try, in our view, to knock out Bombardier, that is not in the UK's national interest either, and that will have consequences. I know that you and others in this House are clear about the need to protect Bombardier jobs and how important it is to Northern Ireland. Signalling that from a UK national Government perspective in a much more robust way would be really helpful in terms of focusing minds, not just in Boeing but in the US Administration.

Q154 **Lady Hermon:** As a follow-on from that, if the Secretary of State for Defence were indeed to do that and threaten to cancel contracts with Boeing, that might jeopardise jobs in the rest of the United Kingdom. Northern Ireland is part of the United Kingdom, so how do the Government balance that? How do you bring pressure on Boeing without jeopardising jobs throughout the United Kingdom?

Stephen Kelly: I said that, in our view, it needs to be signalled that these contracts are under review, rather than necessarily being cancelled. What we are all about is to try to increase all employment in manufacturing, whether that is in Belfast, Birmingham or Bristol. In our view, there are levers within the gift of the UK Government, which they can use. One of those levers is the huge spend that they already have with Boeing.

This is clearly an attack by Boeing on a smaller rival in order to keep a very innovative industry-breaking aircraft off the marketplace, in a part of the market where Boeing is currently not participating. Its behaviour towards Bombardier, supported up until now by the US Government, is not appropriate. The UK Government need to stand up for all those jobs, if those are Boeing jobs or, particularly, if they are Bombardier jobs in Northern Ireland.

Q155 **Lady Hermon:** Do you think that would be appropriate, in light of the fact that Airbus has made a very significant approach to Bombardier in relation to the C Series, and an additional agreement with Bombardier in Northern Ireland to do further work? Is it necessary for the UK Government to be threatening Boeing with the reduction of contracts in the defence industry?

Stephen Kelly: The Airbus partnership with Bombardier makes it even more important. Airbus and Bombardier are now in a clear partnership. The success of the C Series aircraft will define the success of Airbus, and Airbus is a massive employer and investor in the UK. The partnership makes it more important that the UK Government become more robust with Boeing as a company.

Q156 **Lady Hermon:** That is a very interesting analysis. How about the impact of Brexit on Bombardier? We cannot avoid this.

Stephen Kelly: Today, Michael Ryan, one of the vice-presidents of Bombardier, was clear that any borders are a huge restriction in terms of his business and will have an impact. It has the great benefit of being very experienced in dealing with the additional cost and complexity that happens when you have a global supply chain for something as complex as an aircraft. It has the capability to handle whatever the outcome is, in some respects. Michael has made it clear today that a border, either across Ireland or, particularly, with the UK, is not something that would be beneficial for his business, and we all agree with that.

This should not be a zero-sum game between one choice and the other. We have a great opportunity to create something different from all that, allowing not just Bombardier but all businesses in Northern Ireland to flourish. That has been our position all along: that it should not be a choice between a border in either location, which is a zero-sum game, but that Northern Ireland can be a bridge between those economies. That puts us in an enormously attractive position in terms of investment, not just for Bombardier but other firms.

Q157 **Lady Hermon:** The approach of Manufacturing NI is that you do not want to see a hard border between Ireland and Northern Ireland. You have agreed with that. Equally, you do not want to see a border down the Irish Sea.

Stephen Kelly: No.

Q158 **Lady Hermon:** What approach has been taken by Manufacturing

Northern Ireland?

Stephen Kelly: Our view is that we have the ability to be that bridge across. This will undoubtedly take compromise from the EU side, in that it will need to suspend or set aside some of the rules that govern some of its structures, whether that be the single market, customs union or some other areas. We already have existing frictions in all those locations. For instance, there are different tax regimes north and south. There are different agricultural policies between GB and Northern Ireland. There are a whole set of things that put Northern Ireland in a unique position, let alone some of the constitutional settlements that have happened.

From an economic and pure business transactional point of view, it is different doing business in Northern Ireland than it is in GB and the Republic of Ireland. We have our unique set of rules, regulation set-ups et cetera. We should use the existing frictions that are in place, building from the bottom up, rather than people trying to pin headline titles on things that already exist. We should look at areas where there is co-operation or existing friction and measures, and use those to create something that is bespoke for us, which does not jeopardise any of our access in terms of the UK market, and provides an opportunity to bridge into the EU. That is possible.

One element that will be required is the recognition of a Northern Ireland origin status, using some of the tools and processes that are already there. It should be done in a light-touch way, to show, as our businesses already do, where the same people, the same machines, in the same factory, on the same day, with the same raw materials, are producing product that in one market is British and in one market is Irish, or European for that matter. That happens as a matter of course.

This is not about changing our constitutional status or anything else. It is about being clever and taking an opportunity that is presented to us up front. We do not want to be continually taking £10 billion. We want to be a contributor to the UK national economy. If we play this right, Brexit presents an enormous opportunity to do that.

Q159 **Lady Hermon:** It is a positive opportunity.

Stephen Kelly: Yes, absolutely.

Chair: Perhaps we can come back to this. It is a very interesting line of discussion. If time permits, we can pursue it.

Q160 **Maria Caulfield:** I want to touch on two areas that you mentioned. Jonathan, I think you said infrastructure is important for manufacturing, in terms of keeping it going but also attracting new manufacturing. What sort of infrastructure are you talking about, and what is lacking at the moment?

Jonathan McAlpin: There is physical infrastructure and resources. I am coming from a very local context. I am looking at the Chair's point about apprenticeships and accessibility to apprenticeships. We want to see a growing and strong manufacturing sector. As a result of that, we want to see more jobs and opportunities, particularly for young people growing up.

One of the difficulties I see is that the rising tide does not raise all ships. Within the area where we are working, at times we see a lot of investment into infrastructure and support, for example in the Titanic Quarter, to grow businesses there. There are some excellent businesses there. The impact that is having on the broader population, particularly the inner part of the city and east Belfast, is still questionable at this stage. The engagement is not there. Why is it not there? It is because people are not engaged. People are not skilled. People are not trained. The resources to train and upskill these people are not there, or they are there but in a limited capacity.

When I talk about infrastructure, I am talking about physical aspects. We have small industrial units located within inner east Belfast. Anecdotally, they are pretty much always 100% let, with a waiting list. If we could invest in more of those types of facilities we would do, where we could find opportunity to do that. It is also in terms of a resource base and how we engage people. There is an example of a programme supported through the Executive Office, under its Social Investment Fund, in east Belfast, which is employment based. There are small numbers, but, for example, there is a flexible training fund associated with that, which allows people to come in, to identify skills they might need to acquire and to upskill and acquire those.

The local MP helped to identify opportunities where some people were taken from what is currently long-term unemployed and reskilled in Newcastle on jobs like rigging and crane operation. In partnership with Harland and Wolff, those people were placed into employment and apprenticeship schemes. It is that type of infrastructure I am talking about: the resources required to skill people and reskill people.

Q161 **Maria Caulfield:** Is not having a functioning Assembly or a functioning Executive in Northern Ireland having an impact, in terms of that type of infrastructure that you need being led and driven?

Jonathan McAlpin: It is. It is causing difficulties, even in terms of future planning and problems on my own board. I talked about that employment-based programme. I am forever being questioned about: "Where do we go with this programme?" Come next year, I cannot say, because the programme is an Executive Office-supported programme. There have been really good results coming out of that programme, but where it goes next is hard to say. We need the political engagement to see where the support has gone.

Q162 **Maria Caulfield:** The Chancellor recently announced in the Budget the possibility of a Belfast city deal. Would that be helpful to manufacturing, in terms of providing infrastructure, long-term investment and future proofing of the industry?

Jonathan McAlpin: It would. It would depend largely on how that plays out and the priorities in Belfast as a city. Part of our ongoing challenge is about making sure that it is all connected up. It is back to my point that the rising tide does not always raise the ships. That is partly because some really good investments and opportunities come, but certain areas or certain people are not ready for them. There is no planning ahead, so it is about connecting it up.

Following this Committee, when I get back to the day job tomorrow, I will be chairing a group from the city council. It is a collective of organisations across the city looking at entrepreneurship and employability. This is an attempt by the city council to start pulling together that infrastructure and promote collaboration, so that whenever investment comes into the city it can be directed into the areas where it is needed in the way it is needed.

Q163 **Maria Caulfield:** You do not want to predict this at all, but say there was a problem with Bombardier and there were redundancies—do people have the skills, and is the infrastructure there, so that they would be easily able to take up jobs within the manufacturing sector, but with different employers? Is that there, or is it a potential problem waiting to happen?

Jonathan McAlpin: With a lack of planning, that could be a problem. If it is planned sufficiently, it could work out.

Q164 **Maria Caulfield:** Is anyone doing that planning within Belfast?

Jonathan McAlpin: That is the question. I drew the analogy earlier on with JTI Gallaher and Michelin. The colleagues in the Ballymena area I was talking to said there was a good two years of preplanning work and helping to engage with people by the companies. They brought in companies like Penna, the local enterprise centre and so on, to do workshops over quite a long period of time with people, to investigate ideas they might have for self-employment, should it come to that, or how they could reskill into opportunities that are there.

They helped with the job search, identifying where the opportunities are and where they are coming: are their current skills a good fit and match for that, or is additional training and reskilling required? They then implemented that retraining. That was done very successfully, to my understanding, but it was done successfully because they took their time to preplan and manage that.

In terms of where we sit at the moment, all I can say from our perspective is that there has not yet been any engagement with us or colleagues locally on that. Rather than there being a focus on the support infrastructure, it seems to have been reduced over recent years. By that I mean organisations that are actively providing those sorts of training services and employment support services, like helping people with CVs, job search and interviews. Recently two organisations in our locale that were providing those services have closed. I met with one recently and asked why they closed that branch. It was purely on economics. They said they did not have the resources to keep it operational.

Q165 **Kate Hoey:** It is nice to see you all. Mr Kelly, you were really upbeat and optimistic when you were talking in the very beginning about manufacturing in Northern Ireland, its position in relation to the rest of the UK and so on. Do you sometimes get a little tired of the downbeat media stuff about how gloomy everything is? Do you think the positive message does not get across enough?

Stephen Kelly: Yes. Undoubtedly there are problems and challenges, and those need to be reflected, articulated and debated. Many in manufacturing are getting on with doing the job. I was with one particular firm in the Craigavon area last week that has taken on 110 people this year. I said, "You are not shouting about that". They said, "No, we are just getting on with the job". In many ways, that is what a lot of people are trying to do.

The numbers speak for themselves: 90% of firms are stable and growing. Manufacturing vacancies are higher than any other part of the economy. It is making a bigger contribution to the Northern Ireland economy, as published in the statistics last week. That is in the face of some very high-profile losses. That does not mean that we will continue on that same trajectory. Our challenge is to make sure that we can.

I will take a moment to explain why larger manufacturers are so important to us. The losses of JTI and Michelin were not just losses to North Antrim and Ballymena but to manufacturing right across Northern Ireland. One per cent of our manufacturing firms are large firms, so they have more than 250 employees, and 99% are SMEs. Those 1% account for half of all the turnover and employment in manufacturing on a direct basis, never mind the support that they bring in terms of the other parts of the manufacturing sector. We need to be careful to support and ensure that the concerns our larger manufacturers are expressing are dealt with. If we lose those, it has a massive impact right across the entire sector.

The second thing is that we should be celebrating and cherishing the sector that we already have. We have incredible people making great products and selling them globally as well as locally. We need to do what we can to support those people, whether it is through leadership or other types of government policy that will allow those smaller firms to grow. I will let Richard talk about what his own business is involved in. This will be a firm that not many people will have heard of. I have heard of you, obviously. It gives you a sense of the type of work that is going on in small, rural parts of our province.

Richard Hogg: As I touched on when we started, we are based in Toomebridge. We have two feathers to our bow. Our main product is precast concrete. At the moment, we are shipping stuff to Dover from Belfast. We have very large concrete pieces that are made very bespoke, and we ship them in a barge to Dover. We are just about to finish Tottenham Hotspur. We have done all the pieces for that. That was 9,500 pieces, every one bespoke. We employ around about 200 people.

We are very upbeat, and we have a reasonably good order book going forward. More than anything in Northern Ireland, I feel that we need leadership and some help. We need our honourable people to get off their posteriors, get back in and give us something to work towards. It is up to us to run our businesses, and we are very happy to do that. We will push on regardless but, if I got up tomorrow morning and I could not talk to my competitor for some reason, or I could not negotiate something else, I would have no money. My kids would be sitting in the house. They would have nothing to eat.

I wish that we could put all the other stuff behind us and get on with moving forward. If we can ever do that, we have the opportunity in Northern Ireland of being fantastic. Yes, Brexit is a bit of a shocker, but it is going to happen. We are quite prepared to go with that, but we need some clarity around what we are going to do. The last thing we need is our politicians going, "I am not putting in a border" or "I want a border". It is a nonsense. This is really a business decision that is being politicised. It needs to stop right now, so we can get on with our work. In my humble opinion, I would ask that we get on with this. Everybody is nodding their heads. Get on with it, please.

Q166 **Kate Hoey:** You also talked earlier about the energy situation. In your mind, who would be trying to stop that happening? Northern Ireland wants it. The Republic of Ireland wants it. The UK Government want it. Who would make that not happen and not continue as it has been happening for a long time?

Richard Hogg: It is intransigence and not looking further than the end of your own nose. A lot of that sort of thing goes on. It goes on a lot in Northern Ireland, and it is about time it stopped. I am an Ulster unionist. I am not in the Ulster Unionist Party, but I am a unionist. I want to be part of the Union. I also like to think, if we democratically decide to be part of all Ireland, if that is the vote, that is the vote. At the minute, we are part of the UK and we want to be part of the UK. I do not want a border, either between us and the Republic or in the middle of the Irish Sea. We do not want any of that stuff. We want to keep trading as we are and be part of the UK.

Q167 **Kate Hoey:** Who do you think is going to stop that?

Richard Hogg: At this present moment in time, the lack of Stormont is going to create a big issue. That is not on one side or the other, by the way—both sides. My goodness me, we have managed to stop having any sort of governance within Stormont. Are we going to try to do the same here? It looks like that is what is going to happen if you do not stop being so intransigent. That is my humble opinion.

Q168 **Kate Hoey:** It is quite nice when people come along and say what they really think. Overall, the message that seems to be coming across from all of you is that—and I use that ridiculous term that keeps being used—despite Brexit, despite there not being an Executive at the moment, despite all the gloom and doom that we see and read in our newspapers, with the right support, and even without that support, manufacturing is doing well in Northern Ireland. The loss of Bombardier would be disastrous, but we are all working to make that not happen. Is that fair?

Richard Hogg: Manufacturers and people in business have to get on with it, so we get on with it. You cannot be downbeat all the time. You cannot keep saying. "This is going to happen and that is going to happen". Whatever comes along, we have to deal with it. If our transition was made a little easier, we could take what is a fantastic opportunity in Northern Ireland and use it to our advantage. We would bring in outside investment. We would bring companies in if we become a bridge of some sort. That needs to be discussed and gone through. We have a fantastic opportunity.

To keep saying "no, no, no" does not work. If I kept saying no to everybody that I worked with, I probably would not have a job. You cannot keep saying no. Everybody cannot keep saying no, backing each other into a corner and going, "I cannot do that. I cannot do that". It is nonsense. I believe people in Northern Ireland are getting fed up with it.

Q169 **Jack Lopresti:** Welcome, gentlemen. I represent an aviation defence constituency. I have Filton in my constituency, just north of Bristol. Given the complexity and history of trading in aircraft internationally, do you think it was sensible, from Bombardier's point of view, to try to sell its jets to the US marketplace for less than cost price?

Stephen Kelly: Companies will make commercial decisions, whether that is someone trying to supply into Tesco or someone selling aircraft. There is a business strategy there, in terms of getting your product to your market and ensuring that product is well received. If that allegation is true, and I am not sure whether it is true or not—

Q170 **Jack Lopresti:** It is what Boeing says. Do you have any further information or different information?

Stephen Kelly: I do not have any knowledge either way in terms of that. If we believed everything we read in the newspaper, or submissions of US trade complaints from competitors, we would have a particular view. My understanding is that this aircraft is industry-leading. It deserves to be in the marketplace and customers are keen to have it in the marketplace. What Bombardier does in terms of making its own business decisions is for it and not for me, but this aircraft deserves to have its place. If the commercial route to doing that was as alleged, that is a decision for Bombardier.

I know that there are different trade rules within the United States than there are here in the UK, or in Europe for that matter. There is a bit more clarity around what content means. The amount of originating product from a particular region that allows that to trade within a marketplace is clearer here in the UK and the EU than it is in the United States. My understanding is that that aircraft has more than 50% content that comes directly out of the United States already, never mind this new partnership with Airbus, which will mean that there is a final assembly plant et cetera. If this approach by the US authorities was about trying to protect American jobs, it is counterproductive, because the opposite is true. They are American firms that are supplying, whether that be engines, electronic systems, aircraft seats or whatever. It is jeopardising American jobs and not the other way round.

Q171 **Jack Lopresti:** Some of you, or maybe all of you, have said that the British Government should do more to help in this situation. The British taxpayer so far has invested £130 million in this C Series programme alone. How much more taxpayers' money do you think needs to be spent?

Stephen Kelly: I am not asking for any money.

Q172 **Jack Lopresti:** Boeing would argue that Boeing Defence UK is as British or maybe more British than Airbus is, as far as the global footprint. You are not asking for any more taxpayers' money. That is what you have just said to me. Is that correct?

Stephen Kelly: Yes. I do not know what the commercial requirements are of either Airbus or Bombardier, or Boeing for that matter, so I am personally not asking for that. I am asking that the UK Government do whatever they can to stand up for these jobs that are UK jobs, not just Belfast jobs.

Q173 **Ian Paisley:** Apologies for getting here late. I got stuck in a lift.

***Stephen Kelly*:** It was not made in Northern Ireland, was it?

Ian Paisley: No, it was not. It definitely was not. I welcome what you have said. Richard, I welcome the sincerity of what you have said. You will get people nodding at it, and it is very frustrating for those of us who want to see the country going forward, want to see good government and have invested a lot of energy and put political careers at risk to get that. Hopefully people will see sense, and maybe your verbal knocking of heads together will continue to add to the cacophony of noise insisting that people do that. Thank you for saying what you have said, Richard.

Stephen, you mentioned something about JTI and Michelin. It is important that that is on the table. That could be a horrible backdrop to manufacturing, but it is remarkable that it has ultimately been a positive picture. I declare an interest: I am chairman of the Gallaher charitable trust. The JTI site now has a new manufacturer on it and will soon increase employment on that site, which is wonderful news. It will not become a derelict former employment site. Michelin's site has two significant and serious bids that I am aware of, one to bring back industry and the other to bring back manufacturing. While the wages will be at a very different level to what was there before, significantly employment at this point of the year in 2017 is higher than it was at this point of the year in 2010. To me, that shows a picture that industry is growing in the right direction. It is slower; the wage levels are not as good, but there is progress. It is important that we have that on the record and know that those things are happening.

As I was coming in, you mentioned the apprenticeship levy. One of the hard decisions that we will have to take on the apprenticeship levy is that, at the moment, you guys all have to pay it, your companies all have to pay it, and you do not get it back. It comes into Northern Ireland as a Barnett consequential. It comes back to Northern Ireland, and it is spent or will be allocated towards healthcare, education, roads and infrastructure.

Would you welcome us taking that money away? That is the decision we have to take. Would you welcome us taking that money away and siloing it directly back to manufacturing and employers? I would. I put my neck on the line and say I would far rather have it siloed as specific for apprentices and creating jobs. Would you welcome that? It is a tough decision that we have to take. It is very easy on paper, clamouring and saying, "We need more money for the health service". I declare another interest: my daughter is a nurse. We get all that, but at the same time we have to make that tough decision. Would manufacturers welcome that?

Stephen Kelly: Absolutely, yes. We have long said that this is, first, inherently unfair. Parts of a business are contributing in Northern Ireland but do not get access to the money, where other parts of the same business are contributing and getting access to that money in GB. This is a pot of money that has been taken from large businesses in order to invest in apprenticeships. There is a clear line. The Government made it clear that they wanted 1 million extra apprentices, and one method of getting that was to introduce this levy on to large employers. That money would then be available to them to invest only in that skills base. Yes, it is unfair to our firms not to have access to it. We absolutely believe that they should.

Secondly, if we are serious about growing our economy, nothing brings health more quickly than having people in employment, whether that is healthy families, communities, economies or homes. If we are able to direct that money, as it should rightly be, into that skills development piece, I know we will employ more people.

The biggest complaint in manufacturing right now is access to people and the right skills. We have taken the money that should have helped as part of that away from them, and not given them access back to that cash. I absolutely agree with you. I do not know if you heard at the start, but we hope to have some reasonable news on that before the year is out. It is impacting on the numbers of apprentices that are being taken on. It is impacting on the skills investment that firms are making. If we want a globally competitive small economy, we need to be investing in those skills.

Richard Hogg: We need the kids coming out of school. Every child does not have to be a university graduate, and not every child suits that. We have this terrible thing at home at the moment, and probably across the UK in general, that you need to be a lawyer, a doctor or whatever. A vocational career path is excellent and is probably better paid, in the highly skilled stuff that we would do, than some of the other people that are working.

Those are the high-skilled jobs we want, but we have to get the kids. We have to nab them, get them out of school and trained up. We will do it anyway, but it would be an awful lot easier if the money was paid in and going towards what it was supposed to be in the first place. You cannot do that if you are not in Stormont, of course.

Q174 **Ian Paisley:** All the witnesses we have heard from, whenever we have been dealing with this subject, have come back to skills and skill development. That is a trend that we need to pick up on and push. Whether or not Stormont is there, there is going to be a Government of some form, direct government or whatever, and we will still need to push it. We cannot allow a political road blockage to stop that. I agree it would be far better to have the agility of a local Administration doing it, but unfortunately you cannot dance with a girl if she is not in the same building.

Richard Hogg: That goes both sides.

Ian Paisley: It does.

Richard Hogg: It goes both sides. It is very frustrating, sitting here, listening to it.

Ian Paisley: If you stand on the dancefloor, saying, "I am prepared to dance," and the other one will not even come into the room—

Richard Hogg: That is nonsense. Get on with it.

Ian Paisley: That is easily said.

Richard Hogg: Yes, it is easily said. In business you have to get on with it.

Q175 **Ian Paisley:** Let me ask you about another issue. You said that there should be compromise on the EU side. Given what has happened this week, I agree compromise has to come both ways. I have tried to look at this situation that we have about legislative and regulatory alignment. As some of your manufacturers and members will trade with some Irish businesses, do you think that the Irish could choose to align with UK legislation and regulation going forward?

Stephen Kelly: Absolutely, there is potential. The reality is that businesses will take the best business decision for them. If we ended up in a scenario where the UK was not aligned with the EU, our businesses would still choose those particular standards and approaches, because they would want to trade in that market. That will be plainly a business decision. Whether it is a political decision or not, people will still take those choices. They will still want to trade. Our businesses are used to trading in areas right across the globe, where they have no influence whatsoever in the standards that are being set in those marketplaces. This is not an unusual thing for our businesses. They will do whatever they need to do to get into those marketplaces.

If the decision was that there was some regulatory alignment across these islands, that is fair enough as well. There is no real objection, because business will still make that choice. We did some surveying of members just this week in anticipation of being here with you. We asked our members and others in manufacturing how they felt about where we were, in terms of the situation. We discovered that, going back to that point that businesses will just take decisions, 28% of our firms are either looking to move away or shift production to other locations. That is a quarter of our manufacturing firms.

Q176 **Ian Paisley:** What other locations? Are they UK locations?

Stephen Kelly: No, they are outside, EU locations.

Q177 **Ian Paisley:** Outside the EU?

Stephen Kelly: No, outside the UK. However, 15% of firms are investing more in GB markets and non-EU markets. What we are finding here is what I think economists call a distributional challenge.

Q178 **Ian Paisley:** Do the 28% of companies that were thinking of doing that trade principally with the EU countries, or is their main trade with the rest of the UK?

Stephen Kelly: We do not have that granularity of detail on it.

Q179 **Ian Paisley:** I could not see why someone would move to the south if, for example, we were to move to world trade rules. If your trading market was the UK, there would be zero tariffs. Why would you move to the south and have 40% tariffs?

Richard Hogg: Our business has two strings to its bow. Part of it is very much UK-based, which is the concrete side of it. Then the other side is renewables.

Q180 **Ian Paisley:** You move your stuff from Toome to Belfast to the British mainland.

Richard Hogg: Yes, and we do some other trades in Europe with the concrete. Then we also have the renewables side, which is something I am involved in a lot and where we trade a lot within Europe. We are looking at having some kind of presence, probably in the Republic. That is really against what I want to do, but if we get forced into that we will have to do it, so we can keep trading.

We have a scenario at the moment where we were invited to do a partnership with a Dutch company. That would have increased our turnover and brought a lot more product for us to do work for, which would have increased the high-skilled employees and so forth. It has scuppered that now. After two years working on that, it said no, because there is not enough clarity with Brexit and what is going to happen. It has not said as much that it has scuppered it, but it has certainly put it on hold. It is really frustrating.

Q181 **Ian Paisley:** That is why it would make sense to move to trade talks and try to resolve the trade issues as quickly as possible. Would you agree with that?

Richard Hogg: Of course, yes. We need to get into the position to do that.

Q182 **Ian Paisley:** I am making a point about regulatory alignment. The point is that we should regulate with our neighbour, but I am trying to turn it the other way. If our neighbour wants to trade with us, and that is where most of the trade is done, going forward, it should have a special status in the EU and be able to regulatorily align as we go forward. Say, for example, you are sitting in the Irish Republic and we, in the UK, outside of the EU, post Brexit, change our regulations and the Irish Republic is affected by that, it should change its regulations, instead of us being handcuffed to constantly changing ours.

Stephen Kelly: I never got to finish my earlier point. There is something that is important that finishes all that. The last time I was here, we had colleagues from Almac. I know this is meant to be about Bombardier today and you have another inquiry about the border, but it is worth going back and looking at what Almac said to the Committee back in February time. Regulatory alignment is critical for it. The business falls or succeeds on that basis.

Equally, we have firms from the Republic of Ireland that have firmed up their own investments in Northern Ireland in order to ensure that they have a presence in the UK market, so they would be at least regulatorily aligned. They have firmed up their position in Northern Ireland as a foothold, as a minimum, into the UK market. That is the point. We are going to have a huge amount of shifting around.

The challenge for Northern Ireland in particular, but the UK as a whole, is that, once all that shifting takes place, we are in a better place than we are now and we win more than we lose. The worry is that we do not get to there, partly because of the deal that we end up with and our ability to be flexible in terms of our own Government in Northern Ireland et cetera. In the middle of all that, we have an enormous opportunity. We could decide not to take one of these off-the-shelf approaches, from either the EU or the UK side, and create something unique for us. We are a unique problem, but we also have space within that to create something unique. Then we would become one of the most attractive regions in the world in which to invest.

Q183 **Lady Hermon:** Stephen, could I follow on from what you just said: that if we get a deal we can do X, Y and Z? What happens if we do not get a deal? What happens if the Prime Minister is unable to strike a deal? She has been advised by senior members of her own party: "It is okay; just go ahead. Do it. Get on with it. Ignore the fact that we need to negotiate a deal". How would that impact on Northern Ireland and manufacturing?

Stephen Kelly: It would be a complete and utter disaster.

Q184 **Lady Hermon:** Thank you. Why?

Stephen Kelly: There is a piece of evidence that shows this. In terms of the north-south trade, Northern Ireland is most impacted over all those territories, whether it is the UK as a whole, the Irish Republic or Northern Ireland. We lose 19% of that north-south trade as a minimum to start with, never mind the disruption that happens in terms of all-island supply chains. I am happy to share with the Committee some work that was done by our statisticians at home. It was released in 2014 and they have not updated it since. It shows that our small businesses, the backbone of the Northern Ireland economy, trade much more on a cross-border basis than our larger firms.

Lady Hermon: The majority of our businesses are small, yes. What percentage would that be, Stephen?

Stephen Kelly: I cannot recall off the top of my head, but I will share it with the Clerks and ask for that to be shared. Secondly, if we crash out, there is a responsibility on the UK Government. I know the UK Government have said, "We will not put up a border—full stop". There then becomes a responsibility for the UK Government to put up a border, because of the requirements that they have in terms of the World Trade Organisation.

The reality is that, if they have no tariff border in Northern Ireland, under most favoured nation rules, every single territory signed up to the World Trade Organisation has to trade on exactly the same basis. Any potential negotiating leverage, with not just the EU but any other nation, would be lost with any other free trade agreement that they would be keen to have.

Q185 **Ian Paisley:** Are you quoting from a report, Stephen?

Stephen Kelly: I am quoting from people in trade policy areas. They say that, in a no deal scenario, if the UK decided not to have a tariff border at its borders, under most favoured nation rules it would be required to offer exactly the same terms to every other nation in the world.

Q186 **Ian Paisley:** That is right. Do you know what those terms are? Those terms are WTO terms. They are 2% plus. It is a 2% increase, except in agrifoods. It is not astronomical.

Stephen Kelly: Yes, it varies. If you are in seafood it is 80%.

Q187 **Ian Paisley:** No, we totally control seafood markets. In fact, the Irish Republic would lose 75% of its fishing rights, as would Spain.

Stephen Kelly: My point is that, depending on the product, the tariff rates change and differ.

Ian Paisley: That is only in agrifoods. Manufactured products are 2%.

Chair: Ian, we will come back to that point. We will allow Sylvia to complete her point.

Q188 **Lady Hermon:** I just wanted clarity over one point that Richard made. Stephen, I think you have made the point very succinctly. Thank you very much indeed for making it. We need a deal. That is what you are saying.

Stephen Kelly: Yes, absolutely. That is what everybody wants.

Q189 **Lady Hermon:** Richard, can I come back to you? You spoke from the heart. You said this is your personal view, but you said with great force to the politicians, "Stop saying no". How did you feel on Monday when the Prime Minister was in Brussels and somebody said no?

Richard Hogg: I do not want to get into this, that or the other. I am not pointing at one or the other. My heart sank. I just felt, "Oh my goodness, here we go. Here we go again. It is another no". It is incredibly frustrating. You get up in the morning and think to yourself, "What is the point? What is the point of doing all this business?" If this is going to be continuously fired back at you, what is the point in trying to do all this, keeping people employed and so on? You just feel like throwing the towel in. I have to say, we are a very thick-skinned race, so we keep going, but sometimes you get a bit weary of it all.

Q190 **Kate Hoey:** Perhaps you should not listen to the BBC in the mornings.

Richard Hogg: I listen to a lot of different things. I do not just listen to the BBC. I hear lots of different things, but the undercurrent is the same. It does not matter what you listen to.

Q191 **Lady Hermon:** Stephen, you are the CEO of the manufacturing organisation in Northern Ireland. You have said the future continues to look bright for the sector. How did you feel on Monday?

Stephen Kelly: I am very disheartened. I think everybody wants to get to phase two, where we have the real, substantive agreements on what needs to happen. Businesses are very concerned. The number one piece of feedback that we have from the survey we did earlier this week was that the uncertainty is driving people mad. The quicker we can get to a period of certainty, the better. As part of that uncertainty, if we end up in no deal, what is the floor? What does it look like? People are trying to make decisions.

I had a call on Friday of last week from a company that is really busy and needs to make an investment. It has been holding off for 18 months now. It is terrified of taking the wrong decision. It is asking us and investing a whole raft of other people to try to get some sort of clear sight about making that investment. This will make or break the business for the next 10 years, and no one can provide that.

The sooner we can get to the detail piece, the better. The sooner we get some rubber on that road, the better. How politicians get us to that point is up to politicians, but business is keen that we get on with much more positive things, in terms of sorting out what that future relationship looks like.

Q192 **Ian Paisley:** I am worried, after having such a positive message, you have a report or information that is so one-sided that would make people feel depressed about the economic picture. The economic picture is not as stark, as the figures that you are quoting make clear. Our largest market by far is UK mainland for all our companies.

Stephen Kelly: People in business do not want to have to make a choice between one and the other. They want access to both.

Ian Paisley: I agree. Let us have more markets. Let us have free trade. Our ambition in Brexit is free trade agreements. In 2008, the Republic of Ireland's markets were practically bankrupt until we, in the UK, bailed them out. No deal is not something that I believe the Government are pushing for, but, if there is no deal, it is the one country in Europe that suffers the most. According to Coopers & Lybrand, the Republic of Ireland will lose 3.8% of its GDP overnight if there is no deal. The UK does not even come close. I am not on about percentage of its trade; that is GDP. It immediately starts having to pay an additional £1.5 billion to the EU every year for membership, for trade that is a tiny percentage of its overall package. While there may be consequences of a no deal for Northern Ireland that we would not like to see, the fact of the matter is the consequences for the Republic of Ireland are ruinous.

On the point that you made about the border, who is going to force us to build a border? We are not interested in building a border. We have made it clear we want to see trade on that border. Are the Irish going to build a border? Are they going to build a border because the EU tell them to build a border? That is a matter for them. We have made it clear we are not building a border. The UK has made it clear. The UK has made it clear that it is not putting any more infrastructure on the border. There are other ways in which it can monitor the border and border activity. I do not get the negative picture.

We went over the WTO rules. The one sector that is affected disproportionately would be agrifoods. Given that most of our agrifoods trade is with the rest of the UK, most of our export would be free trade agreements that we would cut with China, Russia or the middle east, and we would not necessarily be affected by WTO rules. I do not get the negative picture that is there. There are things in this that are challenges, but they are not as negative as the report that you have.

Q193 **Chair:** Stephen, you referred in your survey of your members to their perceptions. Obviously their perceptions are their business. I suppose the concern would be perhaps those perceptions are being influenced, as Ian said, by an overly downbeat reading of the situation. I was wondering the extent to which you think that is the case.

Can I press you on that data? There was the point about the 28% considering whether to relocate or to increase their presence elsewhere. There is a big difference between thinking about things and physically changing their investment in the here and now to reflect their assessment of what is likely to happen. If they are thinking about things, I would suggest that 28% is a very small figure. I expect business to be planning for contingencies right across the piece, of which this is clearly one. They need to plan for a worst-case scenario.

Do you have any granularity in your survey of your members as to the extent to which companies are putting their money where their mouth is? That would be far more convincing. What you have given us so far is quite an upbeat assessment, which is borne out by inward investment statistics, for example, of business confidence in Northern Ireland and its future, presumably inside or outside the European Union.

Stephen Kelly: I do not have that detailed granularity. The Committee has had some evidence in the past from firms that have made those investments. Do I expect those 28% of firms to be closing down factories and moving to the Irish Republic? Absolutely not. Do I expect those firms to be developing new partnerships, relationships or making acquisitions across in the Irish Republic? A lot of those guys will probably do that. Does this mean that we are going to see loads of factories closing down across Northern Ireland? Absolutely not.

More critically, above any of the policy decisions that are taken or the trading environment that is presented to our firms, they are from our place, their feet are in the soil and they are there to make the best that they can from it. That will be the overriding decision of any business. That will override any other economic decisions that they take. I just wanted to give a fuller picture. I will share all the results with the Committee.

Q194 **Chair:** If you can share that with the Committee in written form after this session that would be very useful.

Stephen Kelly: Yes, I will do. We also asked for some comments from people: "Say what you want to say". Those ranged quite a long way. I will not edit them in any way when I send them to the Committee. You can see for yourself some of those views. There are some people shouting, "Get us out now", some people going, "What are these people up to?" and everything in between. It is only a barometer, Chair. It is not an Oxford Economics or PricewaterhouseCoopers type of report. It is purely a pressure-testing piece before coming to the Committee.

Overwhelmingly, 72% say regardless of the deal that this will be negative; 11% say it would be neutral; 17% say it will be positive. That is interesting, because 21% of firms said they just want out of the single market and customs union. If they just want out, surely that is a positive thing, but the positive number is less than what those numbers are. Even in those scenarios, people are thinking there is going to be some pain around here.

What all this says is that, regardless of whether there is fake news, whether people believe the BBC or some other press or not, the Government are not being good at all in terms of coming out with their view of what the future looks like, in terms of the plan and the benefits that will bring. There is a message here in terms of what the medium to long-term future will look like and the benefits that will have, to try to convince these firms that is a thing that they can believe in, and this is a place where they can and should continue to make investments and create jobs. As a minimum, there is a message there for Government to talk about what that future looks like and, if that is a positive thing for those businesses, they will make their own decisions at that point.

Chair: Gentlemen, thank you very much indeed for coming to talk to us today. What you have said has been very insightful, and most certainly will inform our report when it is produced and greatly enhance its quality. I am very grateful to you. Thank you.