

Select Committee on the European Union

Corrected oral evidence Brexit: UK-Irish relations—follow-up

Thursday 1 February 2018

8 am

Members present: Lord Jay of Ewelme (The Chairman); Baroness Armstrong of Hill Top; Baroness Brown of Cambridge; Earl of Kinnoull; Baroness Suttie; Lord Whitty; Baroness Wilcox.

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Questions 106 - 112

Witnesses

[I](#): Seamus Neely, Chief Executive, Donegal County Council; Jennifer McKeever, President, Londonderry Chambers of Commerce; John Kelpie, Chief Executive, Derry City and Strabane District Council.

Examination of witnesses

Seamus Neely, Jennifer McKeever and John Kelpie.

Q106 **The Chairman:** It is a huge pleasure to be here. We have had a busy time. We have been in Dublin, where we saw Simon Coveney, the Deputy Prime Minister, and various others from business and other communities. We then had a good day yesterday in Belfast, but we are delighted to be here. For a number of us, it is our first visit to the city and it is a great pleasure to be here. Thank you very much for welcoming us. By the way, the last time I sat looking down like this was at a session in the US Senate.

We have been looking forward to today, both to this session in Derry and to what we will do later, when we cross the border to get a sense of the implications of Brexit for the areas on both sides of the border. That seems to us to be an important part of our inquiry and its follow-up. Thank you for being here with us. To start with, it would be helpful to hear what you think the impact of Brexit has been and will be on both sides of the border and what preparations you are making for it. Once again, thank you for receiving us here.

John Kelpie: Thank you, Chair. On behalf of Derry City & Strabane District Council, let me welcome you all, including my colleague Seamus Neely, from Donegal County Council, and my other colleague, Jennifer McKeever, from the Chamber of Commerce. You are all very welcome indeed.

You ask how people have been reacting since the referendum in June 2016. The answer is different depending on your background, the business and sector in which you operate, the geography, to some extent, of where you are in Northern Ireland and whether you were on the leave or remain side. What it has done is bring attention sharply back to the Irish border. That issue had largely been settled two decades ago with the Good Friday agreement. The constitutional issue in respect of the border had been dealt with. The invisibility of the border over the past two decades has dramatically improved community development on both sides of the border and has facilitated local and national trade both sides of the border, not to mention copper-fastening the peace agreement.

The prospect of this invisible border suddenly becoming visible and tangible again has caused great concern and great fear, both economically and socially. In Northern Ireland in particular, there has been a renewed focus on constitutional issues and sovereignty, which to some extent has limited the debate on how we practically move forward. It has also limited the debate on finding proper mitigation or exploiting and exploring some of the opportunities that might exist for potential solutions. It has had a significant impact politically. My personal view is that it has certainly played on the current political differences and difficulties that exist in Northern Ireland and the breakdown of the Northern Ireland Executive. Indeed, it continues to play a part in the

difficulties of re-establishing political relations in this part of the world. It has certainly dominated local debate in this council area and in many council areas along the border, taking away focus from what we should be focused on, which is future economic development and co-operation in this very challenged part of the country.

Above all, the uncertainty is the greatest concern. As you have no doubt heard in other submissions, any return to past borders and the potential negative implications of that are the main focus and topic for discussion and debate, as are any barriers to free trade or free movement, particularly in this border area. We would welcome the opportunity to explore with you this morning and to advise you of the particular interconnectedness of this cross-border city region.

Another great fear is the potential diminution of rights, particularly to those on the northern side of the border. There is a real, palpable sense of potentially returning to a state of isolation and peripherality. That is a central issue that we have dealt with in this part of north-west Ireland—the north-western part of the United Kingdom and the north-western part of Northern Ireland—over the decades.

The debate has certainly evolved since the referendum outcome. People here are now quite focused on the mitigation—how we move forward and what practically can be done. There is a great sense of relief in relation to the phase 1 agreement, which was published just before Christmas, albeit that there is still concern over the overarching principle that nothing is agreed until everything is agreed. But that certainly moved things along considerably. We are now, certainly as a council and as a united society in this part of the world, firmly focused on designing our future for whatever end state exists and on how we advance this place economically, socially and environmentally going forward.

The Chairman: Thank you very much. There are one or two points that we might take up in our discussion. Mr Neely, would you like to add to that?

Seamus Neely: Again, thanks to all of you for the opportunity to engage with you from a Donegal County Council perspective. As my colleague John referenced, there is a huge degree of interconnectedness and functional working across the two council areas. Indeed, a lot of what John has reflected on in his opening comments is very much relevant in the Donegal context also.

As to how this has evolved in the minds of the people back in Donegal, it is probably fair to say that it has gone through four phases. In the immediate aftermath of the referendum result, people were shocked. I do not think that, in the Donegal context, it was contemplated that the result would be as it was. That evolved over the weeks and months and groups of people began to think that it probably would not happen. It then came to a point of realisation that it was happening. Out of that came a stronger sense of engagement in embracing the debate and the dialogue around it and looking at what needs to be done.

We have begun to look in a very focused way at how the current situation might be impacted by the new arrangements, and we are anxious to ensure that ideas on what needs to be taken into account are put into the debate so that relevant mitigations can be put in place. Obviously, the Brexit debate and the discussion on new arrangements cover many broad areas and are looked at through many different lenses, but in many respects people are looking at it from the point of view of how it impacts on their daily lives.

As John said, the Donegal County Council and Derry City & Strabane District Council areas, comprising just over 300,000 people, are a city region—I suppose, with Derry at its centre—that serves a population of something of the order of 350,000 beyond those council boundaries. In some respects, this is a single functional economic area with a huge amount of interconnectedness not only across the public services but across the employee base for private companies on either side of the border and across many other services such as education and health. People are beginning to ask questions, such as, “How is that going to impact on me?” and “What do I need to say to ensure that my concerns are known and managed?”

However, a big issue for Donegal that is probably not a consideration in this council area is that Donegal is significantly disconnected from the rest of the Republic of Ireland. The geographical context is that 93% of our land boundary is with our colleagues in Northern Ireland. For the vast majority of the citizens of Donegal—I would say 90%—the primary road connection and most direct route to Dublin, the capital city of the Republic, is one that travels through Northern Ireland. Only a small minority of people in the south-west of the county would travel through Sligo and down on the N4 and other routes.

That brings a very significant concern, which then brings the potential of very different outcomes at a sub-regional level in the Republic. For instance, people may have different views as to whether Brexit might be positive or negative or neutral for the Republic of Ireland in general, but that peripherality and dependence on a land bridge through Northern Ireland gives the citizens and economy of Donegal an added concern that the overall outcome, whether it is marginally positive, marginally negative or neutral, might mask significant differences across the Republic, with potentially significant deficits in places such as Donegal as against some positives in other parts. That has probably impacted on us in Donegal more than elsewhere.

Regarding other matters that John touched on such as the resurfacing of issues about where the border actually is, I suppose that those under 40 have a memory only of how things have been over the course of their adolescent and adult life, so the prospect of moving back to something else is something that just generally concerns people.

In broad terms, for us—I suppose this is reflected here also—it has created an uncertainty in investment. For things that were in prospect of happening over the past 18 months or so, many of those investment

decisions have been slowed down because the investors had concerns about the uncertainty. In more recent times, as some certainty has begun to emerge following the December agreement on phase 1, which was very welcome, people have then said, "Actually, phase 2 is probably not that far away", so people are still delaying making significant decisions as a consequence of the job not yet being finished.

The Chairman: I would just like to ask one question. Are the decisions being delayed occurring on both sides of the border?

Seamus Neely: Yes, very much so.

The Chairman: So you already have a sense of that affecting economic activity. Sorry, I should come to Ms McKeever first.

Jennifer McKeever: Thank you very much. I am here with two roles, I suppose. I am president of the Derry/Londonderry Chamber of Commerce, which represents about 400 businesses, from sole traders right up to our largest private employer, which is Seagate Technology, and everything in between. We include multiple sectors and multiple sizes. And, yes, as Seamus has said and as you have asked, sir, business does not like uncertainty. Right now, that is manifesting itself in a hesitation. "What will be the final arrangement? Therefore, let us just see." We are starting to see that hesitation manifest itself as a pause in investment.

My comments would echo those of the two previous gentlemen. There is just a constant sense of flux, hesitation and uncertainty. While we had an assurance in December that all parties and parts agree that there will be no hard border, it is still very unclear as to how that could be the case while we are outside the customs union. While we appreciate that all parties have agreed that there cannot be a hard border, it is still very unclear as to how we could have an open, frictionless border, which everyone you speak to in your journey here will tell you is necessary to ensure prosperity on both sides of the border.

An interesting question that has been mentioned is how things have developed over the past number of years. On the ground here, there has been a sort of disbelief. As Seamus said, anyone under the age of 40 really cannot remember what it was like previously, but those who can remember what it was like previously, who have lived through growth and development and vast improvements to civic and business life here, simply cannot imagine that such an enormously backward step could be taken. But I fear that that breeds a certain complacency, and that unnerves me. People here are saying, "How could you close all those crossings? How could you close those roads?" They just cannot conceive of it. So, actually, people here are maybe just not as engaged in that conversation as you might imagine, because they simply cannot imagine that such a thing could even be discussed.

That is then coupled with the polarisation in our political parties in Northern Ireland that John described. Unfortunately, when coupled with

that complacency, that means that people are just not engaging with the issues. As John mentioned, there has not been a fleshing-out of what the implications might be, and those two things are part of why that has not taken place. We are having a discussion that literally picks at the very fabric of our civic and economic life here. Therefore, we appreciate greatly your coming to hear from us, and we hope that you can continue this debate when you return.

The Chairman: Thank you very much indeed—we will.

Could I just ask one question about something that was mentioned a moment ago? I think that Seamus Neely has perhaps answered this question, when he talked about the different effects along the border and how the effect will be different here and in Donegal. Could you say a little about that? It is quite interesting for us to get a sense of how the impact is not just on the border but there are different impacts along different parts of the border.

John Kelpie: If colleagues are comfortable, I shall start on that. For us, as Jennifer has mentioned, it is only relatively recently that we have realised that our functional economic area is actually this wider city region, which covers both sides of the border. For too long, even post the signing of the Good Friday agreement, both councils on either side of the border had planned on a back-to-back basis. They had to do so from a statutory perspective. Donegal had to comply with ROI regulations and report to Dublin, and Derry City & Strabane Council—and its predecessor councils—had to do likewise on the northern side.

That led to almost all the bodies and departments of councils working in isolation from one another. What changed in 2015 was the reorganisation of local government both in the north and in the south. As you probably know, on the northern side, 26 smaller councils amalgamated to form 11 bigger councils, of which Derry City and Strabane is one. Those bigger councils were given new powers and functions, most of which were in relation to place-shaping, economic development and localism to empower councils in Northern Ireland for the first time since 1972 to do things differently and take responsibility for their own areas economically and socially.

A similar thing took place in the Republic of Ireland, so in 2015 in this region the new council set about the task of driving forward the place element. The council set about defining what the place is, and the place is very much the cross-border city region. It recognised that properly for the first time. That is what differentiates it from the rest of the border in that the vast majority of the rest of the border is a rural hinterland. This is the only part of the border that actually has a city right in the middle of it with 50% of its hinterland or catchment area being effectively in another jurisdiction.

Both councils and both Governments at that point in 2015 and 2016 pledged to look at this place in a different way. They would plan on a 360-degree basis as other cities do in the Republic of Ireland as well as

right across the United Kingdom. Leeds, Glasgow and every city in Europe plans on a 360-degree basis. One reason why this city has failed to reach its potential, although there have been very considerable successes in recent years, is that we have not been planning on that basis. We have been planning only on a 180-degree basis. All that changed in 2015-16. We put in place new cross-border partnerships and new arrangements between the two councils. They were between the stakeholders in the region so that the chambers of commerce and educational establishments are now all co-operating. Both Governments have joined that partnership. For the first time we have in place a fully functioning partnership between both councils and both Governments in this region, which is unique right across the whole of the European Union. It is founded on the principle that we will collaborate strategically to drive this place forward economically, environmentally and socially.

In the middle of that evolving, maturing and complex discussion, Brexit took place. That is what differentiates us from the rest of the United Kingdom and the Republic of Ireland, as well as from the rest of the border between Northern Ireland and southern Ireland. While we share some of the macro concerns in relation to the free movement of people, trade and tariffs and so on, fundamentally we have a city, a city region and a city economy that could potentially be further divided. That is of great concern to us and had been the single factor in our future success that we identified as an impediment. We have therefore put in place significant mitigation partnerships to address it.

Jennifer McKeever: Forgive me if you all already know this. I am not sure if you have been here before, but whenever we talk about "a" border, I should explain that there is a main border a couple of miles this way, a couple of miles that way, and a couple of miles another way. It is not "a" border crossing. There are three main border crossings a couple of miles away from where you are sitting as well as dozens of smaller ones. It is not a single sort of county line that we are talking about. We are marooned, essentially. All of us, whenever we talk about a border, should know that it is worth remembering that it is not just one point or one road. There are three crossings.

Seamus Neely: John referenced the development of the partner working principles. There has been a history of collaboration between the two councils going back to the early 1970s, led by elected members. In the early days, that was largely around relationship building and pathfinding. It tended to be project based, which was useful. The declaration that John spoke about of a movement in 2015 and onwards was enabled by the reform of local government in both jurisdictions. When the two councils sat down and mapped their strategic objectives, noting the challenges, the various needs and the potential for both council areas, we realised that the seven or eight things which appeared on that list were actually common across both council areas. It made sense to look at it in a much more structured and defined way so that the fundamental planning of both councils would be integrated.

Jennifer has touched on the point about what the border means around here. I mentioned that 93% of the land boundary of Donegal has colleague council areas in Northern Ireland. Along that 93% is approximately one significant crossing, one pavement crossing, every kilometre. Some 50 to 55 roads traverse the border. When you consider that there are only three between here and Lifford because the river is the barrier, it goes to show that the other parts where land is the boundary have so many crossing places. That is not to mention all of the other potential crossings using lanes and along private roads. It is a complex place to manage and understand.

Around the entire border necklace, the cross-border movements that are made at different parts of the border happen for different reasons. More than 60% of the cross-border daily movements that happen along the entire border necklace take place on three of the crossings, one of which you are going to see at Lifford-Strabane today while the other two are actually to the north of it. So more than 60% of the entire crossings of what is the border take place in half of the interface between the Derry City and Strabane council area and the Donegal county council area. What we find is that the majority are actually crossing on a daily basis to function in the economy on the other side. Quite a small minority of them are just travelling through, whereas in other parts, predominantly around the central border area, people are passing through the border to get from somewhere well away from the border in the north to somewhere quite far south of it, or vice versa. It may be Belfast to Galway or Belfast to Dublin, whereas this one here is largely about the functionality of the area. That is what has defined the potential that exists here for us. We realise that it is very collaborative and concise, and from that there is a very significant potential. That is what the two councils, with all of the parties across the board, were working on to arrive at that point. It was useful that we had had that strategic planning done and brought out in advance of the referendum because quite frankly it could well have been more challenging to do afterwards. The dialogue would have affected it. We have a very good baseline to work on and we have been able to actively participate in the process, particularly by engaging our local communities, businesses and voluntary sector.

Q107 Baroness Wilcox: Thank you very much. I boxed off as you were talking, and it is going to make a wonderful book one day: uncertainty, diminution of rights, a feeling of isolation, new focus, the debate involved, great sense of relief and "business does not like uncertainty". You have given us a wonderful picture. The question I have is very neat and tidy: what is the nature and extent of cross-border co-operation in the North West City Region? I think that you have well and truly told us that.

How will this be affected by Brexit? Obviously, it comes under a question mark still because we are not there yet. Can you tell us a little more about what you think Brexit is going to be, and then, in fairness, ask us any questions?

Jennifer McKeever: Thank you very much for your question, Baroness Wilcox. I suppose the other hat that I am wearing here this morning is as an employer. I have a small business here, a transport operation that connects Derry/Londonderry and the two Belfast airports, so I am frequently involved in discussions around infrastructure, transport and tourism, and that may be in the future conversation.

But I am also an employer of 48 people. As with many employers here, about a third of our workforce are cross-border workers. Of course, we do not call them cross-border workers; we just call them staff. As Seamus has just discussed, those people have lives wherever they are on the other side of the border, but they come here to work, contribute to our economy, serve customers and be part of the economic engine.

I am not sure whether you are meeting other employers on the other side of the border, but they will tell you exactly the same story. So this is not just a matter of the economy on paper, this is a matter of people who cross the border—they do not see a border at this moment in time because it is completely open—every day to contribute to the economy and small, large and medium businesses. For a lot of businesses, the immediate question they faced was: how will this impact on my access to my workforce? That is still a question that has to be answered in the coming years but I suppose that for people in their daily lives it actually comes down to quite practical questions such as, how will my staff get here? About a third of the people that we transport in my business either begin or end their journey on the other side of the border, so that is a third of my customers who will be affected potentially. For a lot of people, and certainly for a lot of businesses, it is the more practical questions being wrestled with at this point in time.

Seamus Neely: I summarise the three things that were probably of most concern. The December agreement, if it is able to be implemented and fleshed out in the manner that is intended, I think will be a huge help. However, it is delivery around the movement of people, the movement of goods and what trade regulation management is required. There are differing views in relation to how many people cross the border daily. The census would say that some 15,000 people cross the border daily around the border necklace. I think that 60%-plus of the movements are in our neck of the woods here, so that will tell you that we have somewhere between 6,000, 8,000, 9,000 or 10,000 people crossing the border every day. The people who cross the border are integral to the functioning of the economy, so anything that impacts on their availability where they are right now obviously has consequences. There has been other, I suppose, more co-operative research done which suggests that the number who cross the border daily is somewhere between 25,000 and 30,000 people. Obviously, you multiply the figure because, again, there are 60% in this neck of the wood, so it is significant in that respect. John referenced the single focus and view on the development of the city region. The practice of the people has developed over the past 25, 30, 40 and 100 years. People working with their feet have started to do things in certain ways. The role of local government and government is to respond

to that and to try to ensure that the opportunities people are trying to create are reasonably accessed and are sustainable. Anything that impacts on our ability to continue that deep level of focused work collectively, which is a voluntary effort at local level and endorsed by both Governments, is critical, certainly for me from a council perspective.

John Kelpie: The question is what Brexit might mean, particularly for this region. We believe that we are on a very strong, positive trajectory that is moving forward; we have been for some time. Our new strategic alliance across the border, the city regional alliance that we have discussed, sets out a compelling vision for the future of this region. It sets out a road map of where we need to go to improve this place and builds on all the success that has happened this past couple of decades. It will transform the economy of this region, so Brexit must not damage that. It needs to embrace it, nurture it, resource it and propel it forward.

This city region and its vision, uniquely, have cross-party support on both the northern and southern sides. Every elected representative who sits in this chamber, with a nationalist, unionist or independent background, has voted for it and is participating in it. The current cross-border arrangement respects the border from a constitutional point of view but disrespects it from an economic point of view. It has wholehearted and unanimous political support across both councils. It is a unique model right across the European Union and it cannot be broken.

The city region is in its early stages of maturity and is already having a significant beneficial impact in this region. Brexit needs to support that; it needs to invest in the key strategic projects, which that partnership has set out as the way forward in this region, for enhanced physical and virtual infrastructure and enhanced skills and educational attainment for our children and young people. It needs to support the unique vision which this cross-border population, which has emerged from 40 years of extreme pain and deprivation, has forged together. Our business community, our political community and our local statutory agencies have a complete unity of purpose on how this place drives forward. Brexit cannot impact upon that.

The Chairman: That leads naturally on to questions. I ask Baroness Brown to start.

- Q108 **Baroness Brown of Cambridge:** Can I congratulate you on what seems to be such a fantastic focus? In my previous existence in the Midlands in the UK, I lived through the challenges of forming the greater Birmingham local enterprise partnership and then the combined authority, which took much longer than you have had and is still not working in the way that your partnership seems to be. As you say, this is an example for everybody of what can be achieved in much more complicated circumstances than we have in other parts of the UK and in other parts of Europe, so that is a fantastic achievement. We all share your concern that Brexit does not do any harm to this because it works. You have answered quite a lot of my question, which is about economic impact, and you have gone on to address the kind of qualitative elements of it.

Do you have any quantitative analysis of the economic benefits of this relatively short, but, obviously, very impressive partnership, and any analysis of what the re-imposition of a hard border might do?

John Kelpie: Thank you for your question. Maybe I will start with the positive, which is the potential economic benefits of where this region is going with its strategic partnership and our plans.

We are still working through the details of this, but certainly on the northern side we anticipate that over the next 15 years of our strategic plan we will create somewhere between 13,000 and 15,000 new jobs as a result of this partnership; that our GVA will increase by approximately £500 million; that our tax-take to Treasury will increase by approximately £100 million; and that we will generate an additional £200 million of wages into the local economy through the range of interconnected projects that our strategic partnership has identified as the way forward. These have been independently and robustly economically reviewed. That is the positive trajectory we are on, and, as I said, we have complete unanimity around those projects.

Our analysis of the impact of Brexit on those—we have done our own Derry City and Strabane/Donegal analysis and have participated in a wider border region analysis—suggests that there would be significant job loss in this region and that right along the border corridor this region would suffer disproportionately in that loss. It is projected that a quarter of the entirety of the job loss along the border corridor would be in this city region as a result of that.

Of course, many different economic models can be built with many different assumptions. We have scanned all those models, and unfortunately none of them is positive for employment numbers. This was referred to earlier when we talked about current decision-making. I cannot divulge the details, but we are aware of at least two specific major FDI opportunities that were almost over the line for the city council area, involving substantial inward-investment announcements, and that have been either stalled or lost. That is not to mention the most recent opportunity that has been thwarted, which is our joint bid with Belfast to be European Capital of Culture 2023. Given that we were the first UK City of Culture and that we have witnessed and experienced the huge benefits that have flowed from that with regard to jobs, investment, opportunity and international marketing, that has also been a victim of the Brexit scenario.

Seamus Neely: While I may speak to some figures for Donegal in relation to employment numbers, in reality, we look at that as a make-up of the totality. The jobs market across the entire city region is as important in one council area as it is in the other. We have often been together in the same place and said that both our councils are much more comfortable about collaborating to get an investment in either of the two council areas rather than competing with each other to ensure that it happens in neither. That has been perhaps the catalyst of why we

have got to where we are so quickly—we see that, together, we are much more competitive and capable than we are when separate.

The analysis that was done with both councils did some work in the immediate aftermath of the referendum and looked at the very question you ask, which is about what the potential baseline for job creation is in the area up to 2025 or 2030 and how that might be impacted by a hard Brexit scenario. It is probably slightly more positive in a Donegal context than it is in a Derry City/Strabane context, which I suppose is influenced by some of the other considerations that are happening in the Republic. For Donegal at the time, the view was that to 2030 there was a potential to add, at baseline, 15,000 jobs to the economy. That was set against the fact that, at that time, there had been 56,000 people in employment in Donegal. So 15,000 was added to that. The analysis predicted that the implication of a hard Brexit scenario was that half of that potential would not be realised, so that we would lose somewhere of the order of 7,500 potential jobs up to 2030 as a consequence of a more negative outcome on the final Brexit arrangements.

Again, I know that you have probably picked up on this statistic before, but if you go to a foreign direct investment company in Letterkenny such as Pramerica, which has 1,400 employees, or Optum, which has north of 1,000, at any point in your cycle the proportion of those employees resident in the Derry City and Strabane council area could range from 18% right through to 30%. Similarly, in the companies that are in the same sphere in Derry and Strabane, again, typically, 20% to 30% of the employee base at any given point in time is from the Donegal jurisdiction. So it is very interconnected. The same is replicated across the public sector; for instance, 15% of the employee base in Ulster University is made up of people whose home address is in Donegal. So it is quite interconnected and more likely to become more rather than less interconnected, certainly as the full potential is realised, as we both said earlier. We want to keep that trajectory going.

The fundamental proposition has been about transferring, moving the region from one that needed significant transfers from government to a place where many fewer transfers are needed. Perhaps, in the relatively near future, we will even get to a point where the balance as against transfers for social purposes versus what the economy generates becomes a positive. That is what the advantage is for all of us.

Jennifer McKeever: We were indeed the UK City of Culture in 2013. Last year, 2017, was that point that the bed nights here exceeded those in 2013, which was a high standard to beat. Last year, we exceeded it. We are continuing to grow bed nights here, which are, I think, at about 6% over last year's figures and exceed Northern Ireland's average.

If we were looking for a positive about what has happened, the drop in sterling means that we are a little more attractive as a destination, particularly in the cross-border area. The retailers have also seen that. That is a short-term gain—I do not think anybody imagines that that is a long-term solution or sufficient to mitigate the concerns we have already

voiced. However, if you went into town and spoke to retailers, I think they would say that there has been an increase in cross-border shopping here. I would not like you to think that we cannot see any positives—obviously, there have been some positives—but we imagine it will be short term. Exporters have also described an opportunity to sell because their product has become less expensive, but as soon as they replace their raw materials, which are imports from the EU, that advantage is neutralised.

As I am sure you have heard from the three of us today, I suspect that we are unlike parts of Northern Ireland or of any other border area and are very cross-regional. I also appreciate that it must be difficult for you to have to be responsible for citizens who you do not necessarily consider to be your citizens because they are the other side of the border. So I hope that you understand that whenever we talk about the region, as Seamus described, if there is an investment in Letterkenny or part of Donegal, that increases our economic well-being here as a region because we are so closely linked and the two council areas are completely cross-regional and cross-border. That may make us a little different from other parts of the UK you speak to.

Baroness Brown of Cambridge: Do you see any other opportunities arising from Brexit? I know you mentioned that the drop in sterling has had short-term benefits.

Jennifer McKeever: We are terribly tempted by the idea that Northern Ireland could be a unique economic zone. A solution for Northern Ireland has to be as closely aligned to a customs union and the single market as possible. We also have to imagine that the only solution to the conundrum is that, if we begin with the statement that there cannot be a hard border on the island of Ireland, the only way to achieve that is to align us closely with the customs union and the single market.

We definitely see opportunities in a unique solution for Northern Ireland. We are reluctant to call that special status because unfortunately that has become a bit of a political statement and it is not intended in that light. Certainly, we would be very interested and excited to look at that possibility for Northern Ireland.

Seamus Neely: Just to add to that. If we bring it down to that, how might that work at local level here? It is probably the only city region across Europe that has an international boundary running through its middle. It is the only city region that will have an EU and a non-EU piece of territory on either side and within the city region. In that respect, in a microcosm, the single-functioning economic area that exists here offers a window into both sets of trading arrangements, whatever they might be, and there is a capacity and a set of structures at local level around how that might be engaged. We see some potential in that, but that might be less necessary if the phase 1 wording gets worked out to the point that it is obviously intended, and that would be a better outcome. There is a unique dimension to what has developed here over the past period that probably affords us a way of being able to connect to both markets,

simply because we are working together and each part of the city region will have a footprint in the EU and the non-EU piece.

John Kelpie: Again, we as council officers are obviously required to be apolitical in this discussion and debate, and that is difficult given that it is highly political. Certainly, we are the part of the United Kingdom which has the worst economic statistics. We are the council area within the United Kingdom that has the highest unemployment levels and the highest economic inactivity levels. In recent PWC reports looking at the economic ranking of cities across the UK, we are bottom, unfortunately, of the list. Those are all negatives, but where we aspire to be and where we will be is in the top quartile of that list within the next five to 10 years. We will be a region and an area with an economic activity rate that is improved, and considerably above the Northern Ireland average, and our rankings will increase significantly. To achieve that, we must have a scenario whereby there is both no impediment north/south and equally no impediment east/west. There are opportunities to design a scenario where that is possible. We have provided a platform politically and from a partnership perspective where that is not only possible but is an absolute necessity. That is not a political statement. Whatever arrangement is reached needs to respect not just the economic area but also the differing identities that exist in this part of the world. Both those identities need to be fully understood and fully articulated in any agreement. Neither identity can be restricted in any way. That is what the Good Friday agreement did for the most part and, moving forward, we need to design a solution that keeps that in mind. That will accelerate our progress. There is the potential, through clever "imagineering", to use a phrase, to reach a solution for not only Brexit but for that part of the United Kingdom and that part of Ireland that has the worst economic statistics of these islands. I think that is certainly achievable.

Seamus Neely: We are talking about Brexit and many of the things that we reference in it. Obviously, we have been concentrating on some of the challenges today but we constantly remind ourselves that we fundamentally believe that the potential that John references is, and will be, achieved. We have the narrative of the understanding of the potential across all the communities. We accept that the pipeline of talent and workers exists in sufficient quantity to service an expanding employment base. In summary, there is now an acceptance across the communities, and among parents and students alike, that the potential exists in this region for there to be viable, sustainable livelihoods for students who are coming through education to work and live in the region. To leave you with one stat: we are fortunate right now that over 12% of our population in the two council areas are partaking in further and third-level education within the region at the moment. That is a very significant percentage, as it shows the quantity that is going through the pipeline. We at local level here, along with the third-level institutions, have had an insight into the quality of that as well. The foreign direct investors and local businesses are coming back to us with very strong arguments around the quality that exists in that pipeline. When we are talking about Brexit as a challenge, and we must articulate and deal with those

challenges, there is a potential in the wider region that we continually maintain as our spot on the horizon where we are heading towards.

Q109 Baroness Armstrong of Hill Top: If I could bring you back to some of the realities, you mentioned in your opening statement the political effect that Brexit has had on local communities. Can you develop your principal concerns about the political impact of Brexit on local communities?

John Kelpie: It is challenging territory for a council officer to answer. However, at the highest level I think it has been articulated by each of us. It most certainly has had an impact on political progress in Northern Ireland both at regional level and indeed in council chambers. It has to some extent polarised views. It has limited and restricted conversations about wider issues and has certainly challenged us when it comes to forward thinking and strategic thinking. From the perspective of this region, however, which is a very resilient one, the dialogue has not been thwarted at local level. There is still very much a dialogue that is happening across all parties and across the border from an economic perspective. But it has most definitely impeded some of those conversations and that is reflected right across civil society.

Jennifer McKeever: John Kelpie and his team here and Seamus Neely and his team on the other side of the border have allowed our political representatives to have a vision. Without that, it would be harder to have had the consensus that we have. From a Northern Ireland perspective, I am afraid the position is not so broadly optimistic. I think that Brexit has presented our political parties with an opportunity to grow further apart, so at a time when we need consensus and cool heads, and we need vision for how we might propose Northern Ireland sits post-2021 and 2022, I am afraid we are pretty over the horizon on that. It is very frustrating. At a local level, John and Seamus are correct that there has been great co-operation. But I think that is largely because of the strategic growth plan which the two gentlemen here have chaired, so I think our local councillors may be able to have a different optimism for the future.

I have to commend the two gentlemen here; it has not been easy to get everybody on the same point, and without their vision it just would not have been possible. Politics now in Northern Ireland is nearly lazy. It is too easy to say, "That side says this, so our side says this". That is really frustrating whenever we need a broad, optimistic and creative vision. That has been found lacking. It is a good thing that I am not a local councillor, isn't it?

Q110 The Earl of Kinnoull: I add my thanks to you all for your very interesting and clear comments so far. Last summer, the Government published their position paper on Northern Ireland and Ireland. Some of the issues that you have talked about today, particularly in relation to a customs border, were considered. They talked about, "a highly streamlined customs arrangement between the UK and the EU". They went on to say that the aim was to, "implement technology-based solutions to make it easier to comply with customs procedures". I am

sure that you have all read and thought about the whole of the position paper. How politically and logistically feasible do you feel those thoughts are?

Jennifer McKeever: I appreciate that the proposal gives some flesh to how this might take place, but, to be honest, I do not think that in this part of the world anybody can imagine how it might happen. There are two points of view. From a trade point of view, whenever we have spoken about workers, services or goods vehicles crossing the border, it is easy to imagine that it happens once in a day or once in a week. Many of our tradespeople here cross the border a dozen times a day. How would you quantify what is in the articulated lorry to be delivered or serviced? The second question is around security. To be very frank, if we were talking about cameras, it would be only a matter of time before a stone was thrown and the camera was destroyed. That camera would then need security, and we are now down to the question of security and the border. I appreciate that people have spoken about arrangements in other parts of the world; the Norway model, for example. Norway allows freedom of movement of people, goods and lorries over its border. It is 15 to 20 minutes where you go in and have your contents weighed; you arrive with your paperwork. But that is a border. It might not be what we would imagine a hard border is, but that is a border. You are not very far away from asking a question around security. Who will provide that security? Is it Northern Ireland? Is it the PSNI? Is it the UK? Is it Europe? Is it Ireland? I appreciate that it is a very worthwhile suggestion, but, truthfully, in this part of the world, you are about five questions away from who provides the security for such a thing. Nor have I heard anybody actually put more flesh to that proposal, which is a technological solution. I would also have to ask: the technical solution would be for what? Would it be to monitor the movement of people? Is it to monitor goods? Is it to monitor goods for tradespeople up to a certain amount of turnover? What do you class as small traders, for example? I believe in that same proposal that there was a suggestion that smaller traders would be exempt from such a model. What do you consider to be small? What do we consider to be small? The CBI, for example, considers SMEs to be anything with turnover of £10 million. In this part of the world, a business with a turnover of £10 million is quite a considerable business. To answer that question, we would need to know the definitions of such a thing. On a practical basis—I am sure the gentlemen beside me will have a much more correct answer—the answer is that we cannot imagine how you would have such a thing without some security. Then you are back to a hard border. You are then not too far away from asking the next question, which is around criminality. Whenever you have goods that have different value in two different jurisdictions, you are into counterfeiting and other criminal activity.

The Earl of Kinnoull: That is very helpful. I know, of course, that you are running a transport business. We are very short of time. Is there anything your colleagues wanted to add?

John Kelpie: I endorse what Jennifer said. For me, the UK position paper that you referred to attempted to provide some solutions. Maybe from afar, looking at a border from an academic point of view, it is a potential solution. However, sitting in this particular part of the border, for us, it comes down to the starting point. If the starting point is that there is not going to be regulatory alignment, you need to look at such measures as trusted traders, cameras or whatever it is. Our perspective here was that we must start with the other perspective: there must be regulatory alignment for this city region, if not for the entire border, to function. Would we ever countenance such an arrangement for the middle of Leeds? Would we ever consider putting what is purported to be a workable solution down through the middle of Glasgow? I do not think that we would. I think that that answers the question.

Seamus Neely: I had three broad things that I wanted to speak to, and Jennifer picked them off in precisely the same order. They go to show that we have thought about these things at a local level and worked our way through them. One thing I would add is the need for management at the border in the movement of goods. Jennifer suggested that there was a differential on either side. Therefore there is potential profit in managing a scenario that avoids that regulation. Inevitably in our experience, that profit would only end up going into a third economy and would not be available to either jurisdiction and probably begin to fund things that are likely to be negative as against what we are trying to achieve here at local level. Why would they be targets for some? They would potentially create a scenario for a third economy that would fund things that are not necessary out of what the majority view at the local level would be. That would be a concern.

Q111 **Lord Whitty:** We have touched on some of this question already. Clearly, your ambitions and vision for this region are impressive, and I sincerely wish you well in their delivery. We have to judge against some of the documentation and some of the positions that we have picked up on—we have referred to the UK Government's document. The December joint agreement has been referred to as a relief and some help. From our previous discussions, we know that the interpretation of what that document actually means is different in Dublin from Belfast; it is slightly different again in Westminster.

Can I press you on your interpretation of it? This probably falls into the area of clever engineering that Mr Kelpie referred to, but the document refers to, "specific solutions to address the unique circumstances of the island of Ireland". We have had some hints of that. What could deliver that for the economies across the border or to here, and the region as a whole? I can tell you that the politicians and the technocrats are already putting their own interpretation on what that agreement means for the people and the businesses in this area.

John Kelpie: It is a very challenging question indeed. Any agreement on such a complex issue probably requires a degree of ambiguity, and it is the outworkings of that that will be testament to the agreement itself.

This place has differing identities and differing aspirations, which must be reflected to a degree in any agreement.

I can only reiterate what I may have already alluded to, and perhaps my colleagues can build upon it: that, for this city region, both a north/south and an east/west solution must be found, an agreement that respects the aspirations of both identities. In practical terms for this region, we need to mitigate the worst impacts of Brexit through investment in infrastructure, skills and employment, and to build upon the partnerships and the strength of the region that already exist by recognising and resourcing them.

There are quite a few practical projects and initiatives that can emanate from those statements. If we moved on some of those, it would build confidence, and the end state, as it has been called, whatever that may be, would be projected as a positive rather than a negative.

Seamus Neely: I very much concur with John's opening remarks in that our experience here has been that there needs to be a degree of ambiguity in order to get the next phase of anything started. I see a huge positive in so far as there is an agreed list of headings written down in a form of agreement, although there are differing views as to what they mean. Take the evolution of the peace process; not all the things that were in that first agreement were agreed in minute detail. Many lay-bys have had to be deployed along the way and time taken to really understand some of those.

The fact that we have that broad list of headings will take us a long way towards a solution, if, as I said earlier, they were able to be implemented in the spirit in which they were obviously written down. I look at these things from a positive rather than a negative perspective. If you see the negative in them, you can find a negative outcome, but if you see the positive and the potential in them you can start to work towards that space, and we have. If you take them and net them out one by one, there is a least favourable outcome and a most favourable outcome, depending on your perspective. They will not all come under "most favourable", but hopefully you will not end up with them being least favourable. The combination of those as you work through them gets you to a workable place.

The way I look at it, we were in a much stronger place come 1 January 2018 than we were in on 1 November 2017. I see it as a platform that has been arrived at that enables us to see over the obstacles, which we could not have done without, and in that respect I see it as a workable solution—a way of working our way through it. Obviously, the time afforded to working our way through the final implementation or the final agreement, whatever that bedding-in period will be, will be important. I do not really know about that, but certainly I see it from a positive perspective, which we must do. If we do not, we will certainly find a negative front.

Jennifer McKeever: I suppose there is another possibility that we have not discussed, and it relates to the word “engagement”. The Ireland question, as it has come to be known, has put us very much at the forefront of discussion in the UK, Europe and Ireland, and we have to see that as an opportunity. The complacency that we talked about is due largely to people who live on the border not being able to conceive of anybody even suggesting that there could be anything at the border.

There has been a good year and a half of realisation that this Northern Ireland-Ireland question was actually a bit of a riddle that really did need to be solved before anything else; it could not be politicked away. That is actually a positive. The fact that the three of us are here talking to you is a positive. It gives us an opportunity to re-engage. It forces us to think of creative solutions that we may not have to have thought about.

I temper that with the fact that everybody has a role to play to ensure that an exciting, global free trade agreement cannot be at the sacrifice of the peace and prosperity that has been very long fought for in this part of the world, not just by us in Northern Ireland but by many people involved in UK, European and global politics. A lot of hard work, hard labour, went into creating the peace and prosperity that we have enjoyed for the past 20 years and we will not give it up very easily.

So while I appreciate that exiting the EU may create lots of new opportunities for trade around the world, everybody has a responsibility to remember that it may come to cost, and the cost here will be greater than in other parts of the world.

Q112 **Baroness Suttie:** Thank you very much. It has been extremely informative and useful to hear of your experiences on the ground. This comes back to reciprocity and is something that we can bring back to London.

Our final question is this: if you could speak to the UK negotiating teams about the next phase, what would you like to say to them?

John Kelpie: It is the 30-second elevator pitch.

Baroness Suttie: Exactly, sorry.

John Kelpie: I think we would like to be part of the future and to have a maturity of discussion and debate in this part of the border region that offers solutions to this complex problem. The debate is currently taking place at the national level. We are clear that there will be solutions at the national level, but there may be detrimental impacts at the subregional level. We would offer across this city region, through this partnership in particular, a platform and an opportunity to solve some of those very thorny, difficult issues.

Seamus Neely: I echo those words. There is a very strong resource and capability across that partnership, and a very deep understanding of what we are about, that puts us in a very strong position to make a meaningful contribution. If there was an opportunity to do that and if there was

engagement, we would certainly very much look forward to that, because we want to be an entity that helps to manage the challenges of today as well as working out the potential for the future. I am comfortable to echo John's words in the strongest terms.

Jennifer McKeever: I also echo them. I think we offer an opportunity for dialogue in this part of the world that captures a lot of the challenges, and a lot of the opportunities, which the next 10 to 50 years will bring. But I reiterate that in this part of the world it is not just about trade agreements and economic well-being; it is much more cellular than that. It is about the peace and prosperity that we have finally achieved here in Northern Ireland.

Our plan for this city and region is not to remain as we are, so we refuse to acknowledge that the best-case scenario is for us to remain at the bottom of the tables. We have a different plan, as John has outlined, which creates 15,000 new jobs in this area and another £1 billion in GVA. That is the plan that we would like to return to. To remain exactly where we are does not sound like that much of a progression for us. We would like to return to more bland economic questions and move the conversation away from the very fabric of peace and prosperity here. To do that, we need everybody working together to find solutions that are somehow bigger than just party political.

The Chairman: We are extremely grateful to all three of you for having spent so much time with us this morning. Mr Kelpie talked about the dangers of looking from afar at things, and you have very much impressed on us the importance of not necessarily looking from afar but looking at the implications of the decisions taken on people's daily lives. We are looking forward to looking at that today, and you have given us the best possible start. It is symbolic that the sun has come out for the discussion. On behalf of all of us, thank you very much indeed.

John Kelpie: On behalf of us likewise.