



**NORTHERN IRELAND LOCAL GOVERNMENT ASSOCIATION'S  
SUBMISSION TO THE  
NORTHERN IRELAND AFFAIRS COMMITTEE**

**1 November 2017**

The Northern Ireland Local Government Association (NILGA) is the representative body for all councils in Northern Ireland. It is currently the only functioning, constituted, all Party institution developing government policy – albeit local government policy - within NI and advocating NI's needs externally.

NILGA welcomes the opportunity to respond to the Northern Ireland Affairs Committee inquiry on the Northern Ireland/ Ireland border.

NILGA wants to make sure that Northern Ireland's **complex situation** is heard and recognised at all levels of government. NILGA seeks to be fully engaged in various Brexit related initiatives in places like DEXEU, the All-Island Civic Forum and the EU Committee of the Regions to ensure that Northern Ireland's complex situation is heard and recognised at all levels of government. We are assessing the potential impact and risks for local government in Northern Ireland as well as identifying opportunities and solutions for the region. However councils will require direct requests for input into other key mechanisms through NILGA, hence our support for the consultation as laid out by the NI Affairs Committee.

The current **political impasse in Northern Ireland** is affecting consultation on key Brexit preparations. Other devolved assemblies have been able to consult on the EU Withdrawal Bill and the Migration Advisory Committee study. The political voice of Northern Ireland central government is not being heard in these important discussions, except through departmental officials who are of course fettered in what they can say. NILGA is the only political collegiate voice of government in Northern Ireland at the moment.

Regardless of whether the NI Assembly is in place, councils need to be part of the design and delivery of the Brexit policies and resources which are required locally to sustain the 11 local government economies that make up NI. All councils in NI are effectively border councils as no place in NI is more than about 40 minutes from it.

NI councils need to have further powerful legislation to be economic and community hubs for local people and places. These powers should include a strong **Devolution Bill** for NI which materially assists councils' ability to sustain the local economy. But they aren't constituted like British councils – they depend heavily on the resources – to the tune of about £100 million p.a. (10% of our budgets) - of government departments and bodies like the European Union to provide not just essential services but also tackle Policing, Community Safety and related peace building work.

Added to this, NILGA sees this Brexit process as an opportunity to embed local democracy & economic development through councils as well as hopefully a restored Assembly. The outturns of Brexit must lead to transferring decision-making and funding to councils who can decide locally on prioritising initiatives in their local development plans and community plans. This is a key to making sure Brexit interventions are effective as they impact on communities – including cross border communities.

## **Which models for the UK's future relationship with the EU provide the best outcomes for the Irish land border?**

NILGA welcomes the nine key principles and criteria for developing potential models for the land border but reiterates that time is pressing on, Northern Ireland's regional government is not involved in these debates and businesses need clarity now on what the arrangements will be to be able to adapt systems and processes and make investment plans.

## **How should the reciprocal citizenship rights of UK and Irish citizens be protected after the UK leaves the EU?**

This is outside NILGA's policy area however NILGA would support the continued operation of the Common Travel Area arrangements.

## **What are the strengths and limitations of the Government's position as outlined in the policy paper 'Northern Ireland and Ireland'?**

NILGA welcomes the following aspirations in the paper:

- Upholding of the Good Friday Agreement
- Continuation of PEACE funding
- Maintenance of the Common Travel Area
- Avoiding a hard border for the movement of goods

NILGA agrees that reaching agreement with the EU on all of these areas will require flexibility and imagination on all sides, particularly over those issues that go beyond current EU frameworks. These solutions must take into account the unique circumstances of Northern Ireland yet be acceptable to all who live on these islands as well as in the EU.

Northern Ireland and its 11 councils have particular issues due to the Border, together with Peace & Reconciliation. Some of these are practical like cross border workers, daily movement of people, common travel and trade and reciprocal rights and some are about stability – ensuring reconciliation work is continued and sustaining the cohesion of communities previously divided by the Troubles.

To this end, evidence gathering by partners of NILGA including border region councils, manufacturing, transport, agricultural, fisheries, food & drink and construction bodies is enabling councils to understand the very real issues that are concerning our industries and communities and to bring forward.

The government paper fails to recognise the **geographical fragility & peripherality of Northern Ireland**. NI is already at a distinct disadvantage to the UK mainland in terms of connectivity, peripherality, access to markets, transport costs and increased costs of doing business. Ease of business, tourism and cross border workers is essential for our economy.

**Being an island off an island** raises significant **supply chain issues** for industry - costs per shipment will always be higher due to our location. The very real risk of firms relocating South or to mainland UK will be a loss to the Northern Ireland economy. Already **volatility in the exchange** rate is affecting trade, retailing, tourism and imports from ROI to UK.

Given the inherent **high energy costs and supply volatility issues** in a small, isolated market we will need to ensure that any negotiation process doesn't undermine this vital aspect of our economy.

In terms of reducing inequalities between & within communities, **Northern Ireland is more vulnerable** to consequences from Brexit than the rest of UK and is more exposed on exports than other regions.

Northern Ireland needs a **Net Alternative Investment Fund** to replace ERDF and ESF funding - ensuring that cross-border cultural, economic, strategic and capital projects in energy, health, education, tourism and research are secured and invested in, to embed and consolidate trade, enterprise, technology, infrastructure and community relations work at local level.

NILGA seeks a **distinct fund for Northern Ireland** around community cohesion. Councils have always delivered on this and we don't see why Brexit should interrupt peace and reconciliation, plus the excellent cross-border work undertaken by councils in **cross-border & pan-European programmes** such as Interreg.

Net migration in Northern Ireland is falling already and evidence indicates that 25% of migrants who leave local firms are actually leaving Northern Ireland altogether. This represents a major challenge for local industry – some firms are already anticipating labour supply issues in early 2018. Agri-food is heavily reliant on migrant labour (50%, rising to 90% at peak times). A **regional approach to migration policy** is required and this must ensure that the demand for labour from specific sectors (including Northern Ireland's strong agriculture and food sectors) can be met.

### **Can the existing framework for North/South and East/West cooperation under the Belfast Agreement continue unaltered once the UK leaves the EU?**

NILGA welcomes the intention to uphold the Good Friday Agreement and its frameworks for North/ South and East / West cooperation post Brexit.

There is a strong desire to maintain the **long-term history and success of cooperation** between all parts of Ireland, North & South, as well as between the island and the UK – to ensure the economy AND the Peace Process is protected.

NILGA vehemently supports the role the **Committee of the Regions (CoR)** plays in scrutinising legislation on behalf of local government. In view of this, replication of the principle of co-design by local government of future UK legislation must be created in UK law, utilising and building on the UK Local Government Forum. Through CoR, we have ensured better law making by advising on how national policy can be delivered at the front-line.

The **EU Withdrawal Bill** seeks to provide continuity and brings all EU powers and responsibilities into UK law. It is paramount that the rights and responsibilities of local government are brought across to the UK – i.e. those powers currently rested in CoR. NILGA requires a formal mechanism and appropriate measures to be put in place to exercise these powers, such as through regular, formal meetings between the four UK local government associations and Government (at the equivalent level of meeting as the First Ministers' Joint Ministerial Committee). This would ensure East / West cooperation at council level and would be linked to the devolution agenda for Northern Ireland.

Councils through NILGA are keen to ensure that Brexit related negotiations have local communities to the fore with cross border council run bodies being pivotal to Brexit's outcomes, especially in the absence of a NI Assembly.

NILGA strongly advocates the **development of strategic relationships** with the UK and Irish Government Ministers, following on from direct and fruitful meetings with Ministers Baker and Walker and their predecessors as well as Ministers in the Republic of Ireland. We work closely with our sister organisations in England, Scotland and Wales on a range of policy matters and are seeking to formalise a protocol with our nearest counterpart body in ROI, the Association of Irish Local Government.

Excellent cross-border work has been undertaken by councils in **cross-border & pan-European programmes** such as Interreg and Peace. There are already precedents of non-EU countries participating in EU territorial cooperation, Erasmus and research programmes and since the Interreg programme is specifically mentioned in the Good Friday Agreement we would expect this to continue to be available to councils in Northern Ireland.

Councils wish to **maintain links with European partners** to assist in policy innovation or best practice dissemination. The methods to do this should be secured within the settlement deal and access to resources should be maintained.

<p><b>How would leaving the single market affect the movement of goods and services across the Irish land border? Outside the single market, what new mechanisms will be required?</b></p>
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NILGA asserts that the **interconnectedness of economic growth, industrial processes and social cohesion** between Northern Ireland and ROI must be recognised and maintained.

The border represents unique and complex challenges for councils. Border council areas rely on free-flowing movement of goods, workers, shoppers and visitors and the economic hinterland of those councils extends deep into the Republic of Ireland.

Some key facts emerging from commissioned work by councils on a cross border basis include:

- Cross-border trade is growing and now worth £3 billion
- Goods & services from NI to ROI represent 10% of GVA
- 36% of NI goods exports are into ROI
- For some firms in the North West and South West of NI sales to ROI account for 8% of turnover
- 58% of NI total exports go to the EU
- It is estimated that there are almost 95,000 border crossings daily, with 80% of these via Derry & Newry. HGV crossings account for 7% of total
- There is evidence of cross-border operations & structures in agri-food sector and mergers & acquisitions are expected.

What is most important is that local government, its constituents and rate payers have **clarity on future arrangements as a matter of urgency**. Any solutions agreed between the UK, EU and ROI must work for all and must have peace & prosperity at their heart.

## How would leaving the customs union affect the movement of goods across the Irish land border? Outside the customs union, what new mechanisms will be required?

Through NILGA's evidence gathering we are aware that only 6-7% of NI products have tariffs of 15% or more, however these account for 33% of North to South goods trade. Since many businesses operate on margins of 10% the imposition of customs tariffs above that level has the ability to decimate trade in the agri-food and construction sectors in particular.

Companies will face increased administration burdens, including adhering to quotas, compliance with country of origin rules. The introduction of tariffs and quotas may result in loss of **competitiveness** for some parts of the manufacturing sector which accounts for 24% of the Northern Ireland economy, rising to 33% in rural areas), however the main concern would be around the introduction of non-tariff barriers.

55% of cross-border trade is in **agri-food** and there are issues arising from processing in ROI and reshipping back to Northern Ireland / ROI. If we move to WTO tariffs the double imposition of export and import tariffs will be catastrophic for the industry across the island.

**Our strong manufacturing and agri-food industries must be supported** to plan and prepare for external shocks.

Much focus has been on export markets however NILGA would also point out that the **impact on imports** is just as important for NI consumers and firms. Measures must be taken to mitigate against higher prices, supply chain issues and delays in shipping if goods are held up at customs entry points.

## To what extent can technological solutions replace physical border infrastructure?

NILGA welcomes the government's commitment to ensuring there should be no physical infrastructure at the border as this would be to the detriment of peace on the island.

The UK's only land border with the EU presents **unique and complex challenges** for Northern Ireland and the border region. The border corridor is expected to be impacted more than any other part of either the UK or Ireland during Brexit. In recognition of this fact the border councils North and South have come together to lobby for the needs of the corridor during the Brexit negotiations. An initial study has been undertaken by the Economic Centre in the Ulster University which highlights two overarching strategic points.

- Firstly, that Brexit will impact on all aspects of the economy of the border region. An economic border post Brexit would be detrimental for the area.
- Secondly, that Brexit will impact on the people and communities of the Border Corridor. The Good Friday Agreement will be an important factor during Brexit negotiations.

The **border corridor** lags behind the national or regional averages in areas such as productivity, labour participation rates and household incomes and Brexit will impact on trade, agri-food, fisheries, EU Funding, tourism, transport and logistics, migration (cross border and inward), healthcare and community cohesion.

The border corridor was affected more than any other part of Northern Ireland / Ireland during the conflict, contributing to a weaker economy, infrastructure & skills deficit, higher unemployment, weak inward investment and social exclusion.

The border corridor suffered disturbances to people's way of life on a daily basis. The Good Friday Agreement 1998 enabled the addressing of these issues; upholding the Agreement as above mentioned will be an important factor during Brexit negotiations.

NILGA maintains that **cross-border cooperation** should be depoliticised and the focus should be on areas of mutual benefit. While cooperation in already agreed areas of benefit should continue, there is an opportunity to reshape the remit of all-Island and cross-border bodies such as Tourism Ireland, SEUPB, InterTradeIreland and develop practical initiatives to maintain the distinctiveness of social cohesion in these areas (integrating electricity markets, broadband and shared health provision are existing examples).

In terms of trade, Northern Ireland's firms are already adept at submitting returns and reports electronically and NILGA believes they are best placed to recommend solutions which can be accepted by all firms, trading partners and government bodies. For cross-border people movements NILGA supports the retention of the Common Travel Area arrangements.

## **What are the potential advantages for business in Northern Ireland?**

NILGA would prefer to consider this question not in terms of *advantages or disadvantages*. Rather, NILGA wishes to consider known and unforeseen opportunities that may arise. Through NILGA's evidence gathering with sectoral business organisations, it is clear that some sectors have identified opportunities to grow the economy, such as:

- Becoming more self-sustaining in food production and establishing food processing operations in Northern Ireland
- Reduced reliance on imports generally
- Further growth of cross-border shopping and tourism if the exchange rate remains at a similar level to the present
- The weak pound can continue to help exports but this must be seen in parallel with the squeeze on margins due to increasing costs
- Opportunities for the fishing industry by removing quotas
- The knowledge economy in Northern Ireland contributes 30% of total exports, with 70% of sales outside the EU – there is an opportunity to further grow this sector

However, realising these opportunities will require innovative and forward-thinking solutions by national, regional and local government, in particular around planning policy and investment decisions. The ability of government to **act quickly and take measured risks** will determine whether opportunities can be delivered or whether firms will choose to leave Northern Ireland.

Investment in infrastructure will be important for Foreign Direct Investment which is driven by place-based decisions, therefore broadband, transport connectivity and skills must be addressed in the region. The councils' economic and community strategies and their services will be absolutely essential in terms of **additional resources** required in this Brexit environment. Councils through NILGA are keen to ensure that the governance of any Brexit related negotiations have local communities to the fore with cross-border council run bodies being pivotal to Brexit's outturns especially in the absence of a NI Assembly.

Recent research by InterTradeIreland shows that only 2% of NI firms have a Brexit plan. NILGA maintains that clarity must be provided to the business sector as many firms are reaching tipping point for putting **contingency plans** into action. The ease at which firms just across the border in ROI will be able to do business with the EU will increase **competition** between NI and ROI firms.

NILGA calls on the government to communicate clearly with companies on the risks and opportunities and provide assistance to firms to help them overcome & realise these. Delayed investment decisions, or firms relocating to UK mainland / ROI will negatively impact on the Northern Ireland draft industrial strategy and our economic growth.

<b>What lessons can be drawn from the other parts of the EU that have an external land border?</b>
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This matter lies outside NILGA's policy areas, however NILGA is engaged in a strong programme of entrepreneurial learning and cooperation with 9 other European partner regions as a European Entrepreneurial Region (EER). It is hoped that the strong regional / local government and enterprise work between these regions can continue and be funded post Brexit.

In conclusion, it is hoped that this submission can lead to further engagement and we would support views expressed by Members of Parliament representing Northern Ireland that such a submission should be the first of many exchanges between NILGA and the NI Affairs Committee.

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