



Ulster Unionist Party Response to the draft Economic
Strategy



Introduction

The Ulster Unionist Party is a centre-right, pluralist political party. Formally founded in 1905, it has a history of over 100 years of public service for all the people of Northern Ireland, spanning the creation of the State, the defence of the State in the face of continuous terrorist attack, and the brokering of peace and power-sharing devolved government structures.

In November 2011, the Minister for Enterprise, Trade & Investment published a draft Economic Strategy, which is currently out to consultation until 22 February 2012.

The Ulster Unionist Party has conducted its own consultation on the draft Strategy, taking in the views of many individuals, and the following organisations:

- **ULSTER UNIONIST CONSTITUENCY ASSOCIATIONS**
- **ULSTER UNIONIST ASSEMBLY GROUP**
- **ULSTER UNIONIST COUNCILLORS' ASSOCIATION**
- **ULSTER WOMEN'S UNIONIST COUNCIL**
- **YOUNG UNIONISTS**
- **CONFEDERATION OF BRITISH INDUSTRY**
- **CONSTRUCTION EMPLOYERS FEDERATION**
- **FEDERATION OF SMALL BUSINESSES**
- **NORTHERN IRELAND CHAMBER OF COMMERCE**
- **INSTITUTE OF DIRECTORS**
- **REGIONAL CHAMBERS**

Methodology

Consultation was undertaken via

- A series of meetings, public and private, including under the Chatham House Rule to enable external stakeholders to express themselves freely
- A questionnaire

Analysis

Having collated responses, this document offers an interpretation of the value of the draft Economic Strategy under the headings of a "Triple A" analysis:

- 1. Ambition in target setting;**
- 2. Awareness of issues;**
- 3. Avoidance of issues.**

This analysis is rounded off by a series of Conclusions and Recommendations.

1. Vision

'An economy characterised by a sustainable and growing private sector, where a greater number of firms compete in global markets and there is growing employment and prosperity' [1]

The Draft Economic Strategy Vision sounds like it has been written by one of our eminent Civil Servants. Don't think a business person wrote it. [Comment by consultee]

The plethora of targets distract from the main goals, which should be to increase productivity, grow the private sector, reduce economic inactivity, increase Gross Value Added, and reduce the subvention. [Comment by consultee]

A Vision statement offers the opportunity to inspire. Less ambitious visions offer nothing more than "motherhood and apple pie." It is a matter of regret that the Vision quoted above falls into the latter category.

The Ulster Unionist Party believes a more appropriate Vision would articulate the ambition to lessen our dependence on the Block Grant.

It would also show awareness of the key systemic issues: NI's inability to close the productivity gap with GB; and the consequent prosperity gap for our citizens.

The matter avoided is the need to encourage a shift in attitude to work: no job should be considered too menial for the indigenous workforce, suitable only for our ethnic minorities / transient labour force.

The Northern Ireland Chamber of Commerce (NICC) defined this Vision in their Enterprise Zone Blueprint:

"Wealth creation means job creation. Job creation means cohesive communities, a stable local economy, vibrant high-streets, reduced crime, healthier citizens and a stronger and fairer society." [2]

This articulates the sort of joined-up government the Ulster Unionist Party promotes and is happy to help advance partnership with key stakeholders such as NICC. This vision is also applicable to towns and cities right across Northern Ireland.

The Ulster Unionist Party would also highlight the importance of increasing the skills of our workforce to meet the demands of business. Any vision should take account of this.

2. Job Creation

The Executive's key target is to support the promotion of 25,000 jobs during the 4 year period up to financial year 2014/2015.

On first reading, 25,000 appears a significant and ambitious number. However, in the context that there are currently over 60,000 registered as unemployed, the message appears to be that if you are seeking work, there is less than a 1 in 2 chance of your government getting you a job in the next 4 years. Furthermore, we are concerned that the Executive has only committed to support the promotion of these jobs, rather than to help 'create' them.

Added to that, we need to factor in:

- The number who will lose their jobs over the next four years;
- The number of school leavers per annum who will join the list of the unemployed;
- The number of men and women of traditional retirement ages who now continue to work, blocking opportunities for others.

Regarding ambition, the Ulster Unionist Party notes the comment of the First Minister, giving evidence to the Committee of the First Minister and Deputy First Minister: *"I would be surprised if we can meet every figure in the Programme for Government. Indeed, I would be disappointed if we did so, because that would mean that we had not made them sufficiently challenging in order to stretch Departments to achieve them."* [3]

By way of a context in which to judge the target of 25,000 jobs over the coming years, the Federation of Small Businesses NI state that if every small business in NI were to employ one additional worker, this would result in the instantaneous creation of 40,000 new jobs, just in the indigenous MSE / SME market (Micro Small Enterprise / Small Medium Enterprise). [4]

Youth Unemployment is also a particular concern in Northern Ireland and indeed right throughout Europe. Figures show that youth unemployment has risen by 155% since 2008 and we must tackle this problem. Northern Ireland recently received confirmation of a net addition of £26.5 million over a three year period from 2012-13 due to the Barnett consequential arising from the Coalition Government's £1 billion 'Youth Contract' initiative. A practical suggestion is to allocate this money to create opportunities for young people in Northern Ireland.

3. Moving People from Benefits to Employment

The draft Strategy states a target of moving 114,000 working-age benefit clients into employment.

This statement from the strategy could be classed as "deceiving" and that is being nice to the authors. I know that the Strategy is saying "employment", and that's how the Executive may want the public will perceive it, but that is NOT what is meant. [Comment by consultee]

On the face of it, the ambition of this target is a striking contrast to the Job Creation target. But what does it mean? Under scrutiny from the Ulster Unionist Party in the Northern Ireland Assembly, the DETI Minister accepted "employment" did not mean a job. Asked if "employment" would embrace job schemes such as internships and Steps to Work, the Minister said:

“As for bringing the 114,000 working-age benefit clients into employment by March 2015, as I said, that is not 114,000 jobs being created. Rather, it reflects the work of DEL and its employment service in ensuring that people have the skills that are necessary to take up job opportunities” [5]

The Ulster Unionist Party believes economic policy and its key levers should reflect the economic conditions of the day. In the current environment, we propose a focus on the need to ensure as many people practice the routine of work, through initiatives such as:

- Training
- Internships
- Public Work Schemes
- Apprenticeships
- Volunteering

A skilled workforce, with experience and knowledge of the work ethic, is critical to rebalancing the economy by growing a vibrant private sector; training and internships offer opportunities in this regard and it is also important that adequate careers advice is available.

A modern interpretation of “Public Works” schemes offers the opportunity to offer meaningful tasks to a significant section of those not in employment. For example, in his report into tourism’s Signature Projects, the Comptroller and Auditor General notes:

As a result of the economic downturn, large parts of the Titanic Quarter are currently undeveloped. This situation is unlikely to change for some time. When completed in March 2012, the Titanic Signature Building and the other Titanic heritage assets, will be surrounded by many acres of undeveloped brownfield land. This will detract from the Signature Building’s appeal to tourists and will limit the overall impact of the Signature Project. [6]

This illustrates a latent opportunity to tap into the energy and goodwill of those seeking employment, to achieve SMART targets, at relatively low cost. We question why the Jobs Fund, with a £19 million budget, is either not used, or cannot be adapted to help provide the funding to progress such a scheme.

Regarding Apprenticeships, the Ulster Unionist Party is aware of the findings of the Northern Ireland Survey – 2011 of the Federation of Small Businesses (FSB), who boast some 8,000 members in Northern Ireland. Their 2011 survey identified that a meagre 4% of members currently employ an apprentice through Apprenticeships NI. However, up to half their membership would be encouraged to engage, if offered: (i) a wage subsidy; (ii) an upfront incentive payment; (iii) help with administration and Human Resource management; (iv) the facility to share the apprentice with another business. [7] The recent 50% reduction to adult apprenticeships in Northern Ireland will need to be mitigated.

The Ulster Unionist Party questions why Jobs Fund funding, and a small percentage of what has been returned by Invest NI (£39.1 million) in the last two Monitoring Rounds could not be focused on developing the potential latent in the FSB research.

The Party's consultation process revealed much qualitative research regarding the mis-match between job opportunities and the availability of skilled workers: one telling comment concerned a company who had to fly to Slovakia to find 16 welders.

4. Key Economic Sectors

Northern Ireland once built an international reputation as an economic powerhouse by demonstrating expertise in specific sectors: agriculture; shipbuilding and engineering; ropeworks; linen.

A second golden era will require a similar focus on sectors, and the benefits of agglomeration.

The draft Strategy lists the following sectors:

- Telecommunications and ICT;
- Life & Health Sciences;
- Agrifood;
- Advanced Materials;
- Advanced Engineering;
- Sustainable Energy;
- Business Services;
- Financial Services;
- Creative Industries;
- Tourism;
- Social Economy;
- Rural Economy.

I think it should be narrower in terms of using our limited resources in a more focussed way. Some of those named in the list above could look after themselves i.e. Financial Services. No point in buying in more HBOS/Capita Call Centres. We need to concentrate on Research, Manufacturing high value, specialised items. [Consultee]

Construction Management. We have lots of good Built Environment graduates coming through our universities and colleges, and plenty of good construction management companies. Presently, however, they are largely forced to work in GB or further afield due to the total lack of public or private investment in NI. [Consultee]

The Ulster Unionist Party endorses this sectoral approach, but wishes to see Construction added as a key area in the drive to both Rebuild and Rebalance the economy. Indeed, we feel it is an obvious omission, in the context of the Vision Statement's commitment to see more firms, to ignore the export potential of companies such as Mivan, whose website records the following narrative:

Mivan's track record in specialist contracting spans projects in the Middle East, Far East, Europe and North Africa. Mivan is capable of performing as a main contractor on projects up to £100million across the housing, commercial and infrastructure sectors. The Company is currently delivering a £90m+ contract for client Al Futtaim at the Cairo Festival City project in Egypt which includes the fit-out of the Kidzania retail unit. [8]

Further, the Construction Employers Federation state: *"The CEF believes that the Economic Strategy is largely aspirational without appropriate hard targets. It also fails to recognise the key role that investment in infrastructure has in facilitating economic growth. This seems to have been accepted in all other areas of the UK! Scotland is the perfect example where they have committed to significant investment in transport networks, schools and hospitals."*

We repeat the Ulster Unionist call for the introduction of a concessionary 5% VAT rate for the Repair Maintenance and Improvement (RMI) of existing dwellings, a scheme that has operated successfully in the Isle of Man for over a decade, and is now the policy of the British Labour Party. The construction industry is facing the perfect storm of constrained public sector capital budgets and private sector inertia; the time is right to employ a policy lever that offers hope. [9]

While it would be questionable to be overly critical of a strategic level document for its lack of associated Action Plans, it is appropriate to highlight that without them, it is not possible to offer constructive criticism. The proof of the economic pudding will remain in the eating, and we await sight of the full ingredients and recipe, before we can judge the quality of the menu.

As illustration we highlight one sector, the Creative Industries, and make five observations. Despite the apparent commitment to this sector: (i) NI Screen is not mentioned by name once in the draft Strategy, or the draft Programme for Government [by contrast, DETI is mentioned 18 times, Invest NI 11 times, in the draft Strategy alone]; (ii) to mix with the right people in the right context may require NI Screen officials being given discretion to operate outwith the normal public service expenses constraints, although still in an accountable manner; (iii) the Creative Industry Innovation Fund has been cut significantly over the next four years; (iv) Creative Industries come under the Department of Culture Arts and Leisure, not DETI, emphasising the need for a single Department of the Economy; (v) despite Rory McIlroy, Graeme McDowell and Darren Clarke bringing a unprecedented and positive media focus to Northern Ireland, there appears to be no intention to maximise the potential to "ride that wave" by marketing our sector at the 2012 US Open, which happens to be in California, the home of creative industries.

The Ulster Unionist Party commits to press on these matters of detail, in a constructive manner, focused on the future prosperity of the people of Northern Ireland.

5. Economic Enterprise Zone

The Ulster Unionist Party is a pro-business Party, determined to play our part in creating the most business-friendly regional environment in the United Kingdom. We are disappointed to note the

draft Strategy demonstrates no ambition to turn Northern Ireland into an Economic Enterprise Zone, as pledged in our 2010 Manifesto:

In Northern Ireland over two-thirds of economic activity is directly or indirectly dependent on government spending. We can't go on like this. We need a long-term programme to rebalance the Northern Ireland economy and boost the private sector ... First, there is the legacy of forty years of terrorism. Second, Northern Ireland is the only part of the United Kingdom that shares a land border with a country that has a significantly lower rate of corporation tax, putting it at a significant competitive disadvantage. We will therefore look at turning Northern Ireland into an economic enterprise zone. [10]

We support the type of thinking expressed by the Northern Ireland Chamber of Commerce (NICC) when calling for an Economic Enterprise Zone incorporating:

- **A fast track planning process, including strict time limits on consultations and appeals;**
- **Access to a jobs fund and intensive support including private sector mentors;**
- **An enhanced export guarantee scheme to promote export led manufacturing;**
- **100% relief on regional and district rate for first three years for new-starts and for three year period for companies with expansion plans;**
- **A reduction in corporation tax to 12.5% for all Northern Ireland;**
- **A simplified tax credit system for innovation, training and export;**
- **Relief on National Insurance payments for all new employees in businesses for initial three year period;**
- **A reduced rate of VAT on domestic property repairs, maintenance and improvements;**
- **Support for sectors with the greatest potential to grow, accelerating their development with tax allowances on expenditure;**
- **Guarantees to lenders to support favourable borrowing arrangements;**
- **Support for knowledge transfer between business and further and higher education institutions;**
- **Enhanced support for companies committing to large scale apprenticeship programmes;**
- **100% capital allowances on new commercial and industrial buildings and discounted business rates on new commercial and industrial buildings during the first five years following construction. [11]**

6. Department of the Economy

The Independent Review of Economic Policy (IREP) reported on 29th September 2009. It recommended the creation of a single Department of the Economy, within the context of a review of Strand One operations. The Ulster Unionist Party supports the immediate creation of a single Department of the Economy, without prejudice to a wider review of Executive Departments.

It is noted the draft Strategy avoids mention of this key IREP recommendation, over two years after the report was published, and the recommendation was put before, and endorsed by, the NI Executive. [12]

7. Planning

I work in this area, and can tell you only 4% of planning applications are compiled by qualified architects. Half the failed applications are down to bad design and maladministration. [Consultee]

While there is a measurable commitment regarding the processing of major planning applications, this is articulated in the draft Programme for Government, not the draft Economic Strategy. While this can be explained by the fact planning is a function of the Department of the Environment (DoE) and not DETI, how aware is the Executive that this lacks joined-up common sense government? Would a potential Foreign Direct Investor (FDI) be impressed by the need to read multiple documents to get the full picture? How would they know the draft Economic Strategy is not the single source of information?

The draft Strategy continually confirms a willingness to reform and make more efficient a planning process that empowers local government Councils to lead a community planning process.

The new sustainable planning system and 17 accompanying pieces of guidance/legislation need to be brought in as quickly as possible with a tight time schedule and must include a dynamism that leads to quick but well considered decisions. With RPA included some form of finance and resource must be found and until this legislation is passed delays in planning must be identified and decisions made in the quickest manner possible.

Water and flood management, waste management and marine management all must be driven by joined up organisations with decisive and dynamic decision processes that adhere to EU legislation and have SMART targets with the necessary resources.

8. Rebuilding / Rebalancing

The draft Strategy identifies the need for work in two areas: (i) Rebuilding, which acknowledges the negative impact of the global recession, and consequent need for short to medium term measures; and (ii) Rebalancing, which recognises the current over-reliance on the public sector, and the consequent need to grow the private sector.

The Ulster Unionist Party is concerned the draft Strategy underestimates the potential of the Third Sector to achieve both aims. The Social Economy is the “third leg of the stool”. Organisations such as Bryson Group illustrate the potential for social economy enterprises to be players in the Northern Ireland economy. However, their testimony that inducing 60 people into Steps to Work required the completion of 1,200 A4 sheets of paper on Day One is a graphic illustration of our obsession with process and inputs, over outcomes and positive transformation. There are many examples of successful social enterprises such as O4O in Mid Ulster:

Opportunities For Older People (O4O) is an independent charity working with and for older people, providing essential support services. They serve homemade meals including vegetables that are grown and harvested by volunteers in local gardens. The restaurant runs a daily lunch club, is available for private functions and also provides a meals-on-wheels service to older people in

outlying areas. All profits from the venture are directed back into services for older people in the local area. Social Enterprises are not yet given the economical recognition that they deserve

9. An Export Led Strategy

The draft Strategy affirms the Department and Invest NI's belief that growing the private sector will focus on (i) exports, and (ii) supply chain opportunities to support companies that export.

The Ulster Unionist Party supports this objective, but also highlights the lack of awareness that displacing imports achieves the same outcome. Given the size of the annual public procurement budget (which is upwards of £3 billion according to the Committee of Finance and Personnel's 'Report on the Inquiry into Public Procurement in Northern Ireland'), the Ulster Unionist Party recommends a renewed focus on supporting the indigenous MSE / SME sectors by adopting a coherent, accessible procurement policy such as the Welsh Assembly's "Opening Doors" strategy.

Increasing exports should also have a specific focus on SME's and the 'trade missions' organised by Invest NI have a particular role to play in this.

Given the draft Strategy's over-arching aims of Rebuilding and Rebalancing the economy, the Ulster Unionist Party calls for an explicit commitment to developing export opportunities with the BRIC countries (Brazil, Russia, India and China). For example, it is estimated that 100 million Chinese holiday outwith China every year. As the Chief Executive of Tourism Ireland put it, Northern Ireland does not need to target a percentage of that business, or even a decimal point of a percentage, a "sliver" would do.

10. A Business Friendly Environment

Maybe I have missed it, but where in the Draft Strategy does it mention doing away with Red Tape which in many cases is stalling business creation. Has the Stormont Government and Civil Service had a look at itself? [Consultee]

Actions and thinking outside the box. It needs the input of the businesses themselves and the outside world, not strategies and desktop exercises. We need something radical. [Consultee]

The Ulster Unionist Party has led the drive to secure the Northern Ireland Assembly the power to vary Corporation Tax. The argument was based on the facts that (i) NI is emerging from 40 years of conflict in which Republican terrorism targeted our economic infrastructure; and (ii) the land border with the Republic of Ireland, which boasts a much more business-friendly tax and regulatory regime.

The Ulster Unionist Party believes the draft Strategy needs to demonstrate awareness of the desire for a more friendly business environment, covering areas such as itemised by NICC above.

This Party never claimed Corporation Tax alone can achieve Rebalancing, with its outcome of a step change in productivity and wealth. Rather, it is like the main ingredient in a recipe, and we must

collectively show imagination and determination to secure the other elements that make up the whole, mindful of how significant a “pinch of this” or “splash of that” may be.

To be truthful and meaningful, the final Strategy must acknowledge that DETI, Invest NI and NITB must all do more, more quickly to reform and refocus themselves, and the business environment they help create. As a starting point, we refer to the Recommendations of the Independent Review of Economic Policy.

In return, the Assembly must acknowledge and address the fact that you cannot ask civil and public servants to be more entrepreneurial when the spectre of the Public Accounts Committee looms so large on their horizon. Equally, how can we expect people with skills, experience and expertise developed in the private sector, keen to “give something back to society” to volunteer when DETI pursues court action against Directors of the Presbyterian Mutual Society (PMS) in a manner totally disproportionate to legal sanctions imposed elsewhere on foot of the banking and financial services meltdown.

We cannot easily forget the £39.1 million which was returned by Invest NI to the Department of Finance & Personnel over the past two years, and we would recommend that Invest NI should re-examine their criteria for financial assistance to support business growth and development, taking into consideration the more difficult economic situation.

The final Strategy must also stop avoiding issues. Key is the role banks play; this Party is aware of anecdotal evidence of how the Minister is aware of shocking cases of banks choking cash flow from fundamentally sound businesses. It is noted the words “bank”, “banks” and “banking” appear only seven times in the main body of a 88 page text, and at no time does it properly address the issue.

The draft Strategy also avoids key issues including:

- *The perception of Invest NI;*
- *The perception of NITB;*
- *The tendency to “gold plate” EU regulations;*
- *The cost to consumers of pursuing a policy of 40% of electricity generated by renewable sources;*
- *The tensions with cross-border bodies, including Tourism Ireland and InterTrade Ireland.*

Regarding the last bullet point, on 6th February 2012, asked by a DUP Party colleague about nominations to the InterTrade Ireland Innovation Awards 2912, the Minister reported as follows to the NI Assembly:

Mrs Foster: I hear what the Member said about the latter point. I am hugely disappointed about the fact that only one of the 18 companies that have been shortlisted is a Northern Ireland company. I understand that that is not a new phenomenon. I looked into the matter: only two were shortlisted last year, and only one was shortlisted in 2010. There is a pattern, and I have to ask why that is the case. When I asked who was judging the awards, I learned that, apart from InterTradeIreland staff, all the judges are from the Republic of

Ireland. That causes me grave concern, and I am writing about it to InterTradeIreland's new chairman.

I was astonished by Bord Bia's nomination and shortlisting given what I have said about the protectionist practices of Bord Bia in relation to Northern Ireland food. However, I am taking the matter up with the new chair of InterTradeIreland and its chief executive. [13]

The Ulster Unionist Party has consistently promoted cross-border economic co-operation where it is for mutual benefit; the Minister's answer highlights the need for constant scrutiny of the outputs and outcomes of the work of cross-border bodies.

Conclusion

The Ulster Unionist Party welcomes the publication of the draft Economic Strategy and commits to work positively with key stakeholders, including Invest NI and NITB, to achieve the best possible outcomes for the NI economy, and consequent improvements in living standards for all.

We do, however, reserve the right to continue to exercise our duty of scrutiny of Executive policy, praising and supporting where fitting, but also challenging, criticising and citing alternatives where appropriate. We trust the comments above represent a constructive contribution to the consultation process, and look forward to the Department's response.

References

1. Draft Economic Strategy <http://www.northernireland.gov.uk/draft-economic-strategy.pdf>
2. Northern Ireland Chamber of Commerce, Paper on Enterprise Zones
http://80.76.205.249/niccweb/files/1315_110301%20NICC%20Enterprise%20Zone%20Bueprint%20Email%20Version.pdf
3. Peter Robinson MLA, evidence to Committee of First Minister Deputy First Minister, 14 December 2011
<http://www.niassembly.gov.uk/Documents/Official%20Reports/OFMdfM/Minutes%20of%20Evidence%20PDF/ProgrammeforGovernment.pdf>
4. Federation of Small Businesses Northern Ireland Survey 2011
5. Arlene Foster MLA, NI Assembly, 17 November 2011
<http://www.niassembly.gov.uk/Assembly-Business/Official-Report/Reports-11-12/17-November-2011/>
6. Northern Ireland Audit Office, Northern Ireland Tourist Board - Review of the Signature Projects.
<http://www.niassembly.gov.uk/Documents/Official%20Reports/OFMdfM/Minutes%20of%20Evidence%20PDF/ProgrammeforGovernment.pdf>
7. Federation of Small Businesses Northern Ireland Survey 2011
8. Mivan: <http://www.mivan.com/services/item/4/global-contracting>
9. Ulster Unionist Party Discussion Paper: In Favour of a 5% VAT Rate for Home Improvements
10. Conservative and Unionist Manifesto 2010
<http://cain.ulst.ac.uk/issues/politics/docs/cp/ucunf060510man.pdf>
11. Northern Ireland Chamber of Commerce, Paper on Enterprise Zones
http://80.76.205.249/niccweb/files/1315_110301%20NICC%20Enterprise%20Zone%20Bueprint%20Email%20Version.pdf
12. Independent Review of Economic Policy
http://www.detini.gov.uk/independent_review_of_economic_policy-2.pdf
13. Arlene Foster MLA, NI Assembly 6 February 2012
<http://www.niassembly.gov.uk/Assembly-Business/Official-Report/Reports-11-12/06-February-2012/#a9>