



Unionist
Ulster Unionist Party

Doing what's right for Northern Ireland

A Vision for Northern Ireland outside the EU

September 2016

BRITAIN

Introduction

As David Davis MP, Secretary of State for Exiting the European Union told Parliament on the 5th of September: "the referendum of June 23 delivered a bigger popular vote for Brexit than that won by any UK government in history."

The days of being a "Remainer" or a "Brexiteer" are over. It is time to come together and work collectively to identify and exploit the positive potential for Northern Ireland.

The 23rd of June 2016 saw a vote for seismic change in the United Kingdom and the dawn of an era of uncertainty, with its associated dangers for our economy and public confidence and wellbeing.

The Northern Ireland Executive has a duty to offer clarity and stability. To achieve this, the people of Northern Ireland deserve and must demand a Vision, a Plan to deliver that vision and a definition of the key "asks" that must be delivered by the Executive, in negotiation with HM Government where appropriate.

As a responsible Official Opposition, the Ulster Unionist Party will do two things: scrutinise the words and actions of the Northern Ireland Executive, praising and criticising as applicable; and offering an alternative to government thinking. The latter was the basis of this document.

Ulster Unionist Party
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Executive Summary

The decision by the British people to leave the European Union is arguably the biggest development in British history since the Second World War.

Northern Ireland will be the most impacted region or nation of the United Kingdom, yet we are the least well prepared.

Urgent, comprehensive, coherent action is required from the Northern Ireland Executive. We believe the Executive must:

- **End the uncertainty by delivering a positive vision for the people of Northern Ireland in the post-Brexit environment. Our vision is of Northern Ireland as the UK's Gateway to the EU;**
- **Devise a plan and create a "Brexit War Room" with the skills and capacity to ensure the Executive identifies the best policy options and priorities for Northern Ireland and inputs them into the various sets of negotiations that will follow in the coming years;**
- **Define the key "asks" of HM Government and the EU to maximise the potential benefits for Northern Ireland.**

Our 10 Key Asks are:

- 1. Infrastructure investment to be trebled;**
- 2. A Northern Ireland wide Enterprise Zone;**
- 3. A step change in education and skills;**
- 4. Financial guarantees for those losing EU funding;**
- 5. Enhanced investment in Research & Development and Innovation;**
- 6. Safeguards for the Common Travel Area;**
- 7. No "hard border" at Great Britain's ports and airports;**
- 8. Unfettered access to the EU's Single Market;**
- 9. Clarity regarding non-EU commitments that will still apply post Brexit;**
- 10. A Peace Centre at the Crumlin Road Courthouse site.**

In their letter to Prime Minister May on the 10th of August, our First Ministers stated they were offering their "initial thoughts". This document represents the "initial thoughts" of the Official Opposition at the Northern Ireland Assembly.

The current landscape

There is no doubt that Northern Ireland is facing a significant economic challenge which must be tackled. As the Governor of the Bank of England has said we must engage in 'ruthless truth telling' and it is a brutal truth that if public subsidies enhanced competitiveness, Northern Ireland would be one of the most competitive regions in western Europe.

Papering over the cracks in the economy does nothing to remedy the flaws. Before finding the solution, we must first recognise that there is a problem. In short we have a nexus of a low growth, low wage, low productivity economy, with the added problem of high levels of labour inactivity. Nine years of a DUP/ Sinn Féin led Executive has done nothing to fix the underlying issues which affect our economy, with things getting worse rather than better, and the absence of any clear plan characterising their approach.

The most recent labour market data did not bode well for Northern Ireland with our unemployment rate at 6.0%, more than one percentage point above the overall UK average rate, the third highest rate among the twelve UK regions. Youth unemployment remains stubbornly high at 13.9%, two and a half percentage points above the UK rate. The same can be said for the persistent problem of economic inactivity, which currently stands at 26.4%, approximately five percentage points above the United Kingdom total.

In 2015, we experienced the lowest economic growth of any UK region at 1.5%, considerably below the UK average of 2.2%. Growth remains sluggish with the economy growing by less than 0.4% in the first quarter of 2016. The recent announcement by the Governor of the Bank of England that anticipated UK growth for 2017 has been revised down to 0.8% is concerning, given that Northern Ireland has historically experienced lower levels of growth than the UK as a whole, there is the potential that we could fall into recession.

Productivity is a measure of economic efficiency and is vital for growth. According to the Economic

Advisory Group, in terms of productivity Northern Ireland lies bottom of the 12 UK regions, meaning we get less output for a given level of input than anywhere else in the United Kingdom. This is explained by a concentration of low productivity sectors in Northern Ireland. This factor has contributed to living standards in Northern Ireland which have consistently lagged behind those in the rest of the United Kingdom, with Gross Value Added per head in Northern Ireland amounting to 76% when compared to the UK average. To put this into perspective if someone in Leeds, Manchester or Aberdeen has £1 in their pocket, in Northern Ireland we have 76 pence. Intriguingly, the gap in living standards between Northern Ireland and the rest of the United Kingdom average was at its narrowest in 2007, when the DUP and Sinn Féin took office, and it has been widening ever since.

It is well documented that Northern Ireland is over reliant on the public sector, with higher levels of public spending per head than any other part of the United Kingdom. We also have the highest level of public sector employment with more than one in four of the workforce here employed by the state.

A recent competitiveness report by the Economic Advisory Group noted that we are uncompetitive in key areas, such as energy costs, which significantly inhibit business growth. It also noted a lack of availability of venture capital, and private equity activity which is not conducive for investment. Mid-ranking performance in infrastructure by EU standards, and high-levels of congestion were also considered problematic. Worryingly, the report made clear that the level of education and skills in Northern Ireland has deteriorated in the last five years, with a large number of early school leavers suggesting an education system which lets down some pupils by not providing them with core fundamental skills. This was identified as an area where immediate action is required.

Brexit Challenges

As well as the pre-existing difficulties faced by our economy, Brexit presents additional challenges, with

Northern Ireland due to receive almost €3.4 billion over the current EU budget period 2014-2020, with additional funds expected from centrally managed EU programmes. There is now a fear that this funding could be in jeopardy. The recent announcement by the Chancellor did bring a partial reprieve for certain funding streams in the short-term, however this still leaves uncertainty in a number of areas¹:

- Farmers will receive close to €2.3 billion in direct payments over this EU budget period, with a further €228 million rural development funding going to rural communities. While this has been guaranteed until 2020 by the Treasury, no clarity exists for what will happen after this date;
- Access to the market for agricultural products post-Brexit is also a concern, with high tariff walls surrounding the Common Agricultural Policy. Agricultural goods are not included in either the Customs Union, or by membership of the European Free Trade Association;
- Doubts exist over the €323 million of Peace and INTERREG funds, due over this budgetary period, given that only projects signed off before the Autumn Statement have been guaranteed by the Treasury after Brexit;
- The potential loss of EU central funding programmes, such as the Connecting Europe facility for key infrastructure projects of which the York Street Interchange is an example;
- The inability to access the €145 million of Horizon 2020 research funding targeted by the Executive, which is vital for our universities to make progress in key areas through collaborative projects and key for our local businesses to innovate through research & development and Innovation;
- The future of the border, given that a potential 'hard border' with the Republic of Ireland could adversely affect cross-border trade, which is vital for the Northern Ireland economy, or the implications of a hard border around Great Britain;
- The awakening of constitutional arguments which were thought to be settled, with Irish and Scottish Nationalism now using the referendum result to call for the break-up of the United Kingdom;
- The negative impact on pensions. Since the referendum result, the returns on UK Government Gilts have nearly halved. Gilt yields are central to funding pensions, therefore pension deficits are now widening. This has implications for the affordability of both public and private pension schemes, which may lead to workers working longer and contributing more before they can draw their pension.

In the Ulster Unionist Party, we are very clear that, while there are challenges, we take a positive view of the opportunities that Brexit does present, and we have a vision to move Northern Ireland forward outside of the European Union.

¹EU funding allocation figures sourced from the Department of Finance, See here: <https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/EU%20Funding%20allocations%20to%20NI%202007-13%20and%202014-2020.pdf>

Vision

Northern Ireland as the UK's Gateway to the European Union's Single Market

The Ulster Unionist Party campaigned for the UK to remain within the EU. We felt, on balance, NI would have been better off in the EU, with the UK Government pressing for further reform, an end to greater political union, and a return of focus to free trade.

That is history. While the majority of voters in Northern Ireland agreed with us, the Referendum was a UK-wide vote and the United Kingdom voted to leave the EU. We respect the decision and have moved on, to investigate how to make the most of Brexit.

The phrase "Brexit means Brexit" is catchy, but has one significant flaw: no one knows what it means. As one commentator put it, lunch means lunch can mean anything from an egg and cress sandwich from the nearest petrol station, to a three course meal in a Michelin starred restaurant. The vote on the 23rd of June has opened an era of uncertainty and the challenge for local politicians is to replace uncertainty with a vision of a bright, positive and prosperous future.

We note Northern Ireland's First Ministers have written to the Prime Minister about Brexit, but their letter identifies only threats; specifically, the DUP and Sinn Féin have reiterated five areas of concern:

- **The land border between NI and the Republic**
- **Economic competitiveness**
- **Energy (costs and supply)**
- **EU funds**
- **Agri-food, including fisheries**

What the First Ministers do not do is offer a positive vision for the future.

Like that letter, this document is an initial reflection by the Ulster Unionist Party, but unlike the Executive's thoughts, we have a vision to maximise opportunities.

We believe Brexit must mean "opportunity" and the opportunity for NI is to use our unique position within the nations and regions of the UK to become the United Kingdom's gateway to Europe, given our land border.

This will happen to best effect when we recognise our collective future in Northern Ireland is best served politically, economically and socially when we are secure within the Union of Great Britain and Northern Ireland, while enjoying good relations and trading partnerships with our nearest neighbours in the Republic of Ireland.

We have drawn up an initial list of 10 Key Asks that we believe must be delivered by the Northern Ireland Executive in the months and years ahead if we are to maximise the opportunity.

The Plan

Northern Ireland will be the most impacted nation or region of the United Kingdom, yet it is the least prepared.

This must be fixed. The 23rd of June has brought on an era of uncertainty: business investment is being deferred; there is a cautious approach to recruitment and tendering. The result will be a negative impact on Northern Ireland's GDP.

It is disappointing and telling to note there is no dedicated Brexit page readily accessible on the website of the Northern Ireland Executive. While the City of London has concluded its priorities and "asks" and Scotland has established an advisory panel, the Northern Ireland Executive remains on the starting line.

It is deeply disturbing that the Northern Ireland Executive was unable to present a united front in their meeting on the 1st of September with David Davis MP, the Secretary of State for Exiting the European Union.

The Executive needs a "Brexit War Room", consistent with the Executive's stated desire to offer cross-cutting, outcomes-based government. The unit needs the resources and capacity to devise and deliver a strategy to maximise the opportunities for the people of Northern Ireland that will present during the upcoming negotiations.

There is a pressing need to define:

- **The policy options;**
- **The priorities for the people of Northern Ireland;**
- **Northern Ireland's leverage in discussions with HM Government;**
- **Where others stand, i.e. Edinburgh, Cardiff, Dublin, Brussels.**
- **There will be multiple negotiations in the years ahead, some of which will not offer direct input from the Northern Ireland Executive unless the Executive is organised, persuasive and coherent in pressing Northern Ireland's case.**

Negotiations will cover six areas:

- **Agreement on the UK's withdrawal from the EU;**
- **The new relationship between the UK and EU that will follow Brexit;**
- **The terms of reference of the UK's membership of the World Trade Organisation;**
- **New trading arrangements with non-EU countries;**
- **How repatriated competences are administered by Westminster/Whitehall and the NI Executive;**
- **The policies and legislation required to maximise the opportunities for the people of Northern Ireland.**

To be effective, the Executive must ensure it understands the nature and purpose of each of the negotiations above, inputs in a clear and timely manner and demonstrates a unity of purpose currently lacking. This will require political will, intellectual rigour and administrative resource.

The 10 Asks

Our vision for the future of Northern Ireland in the post-Brexit era, is as the **'UK's Gateway to Europe'**. To make it happen, we have identified 10 key "Asks" for the Northern Ireland Executive to deliver, working as appropriate with HM Government:

1. Improve infrastructure. Hard Infrastructure covers our ports and airports, roads and railways, energy supply and electronic telecommunications and networks, water and sewerage, housing, hospitals and schools. Investment in hard infrastructure is key to enhancing our attractiveness as a place to do business. We want the NI Executive to treble its investment in infrastructure. This will require making the case to HM Government that investing some of the funding currently being directed to Brussels should be used to increase Northern Ireland's competitiveness. Projects should include:
 - The strategic road network;
 - The rail link to Dublin;
 - Energy;
 - Superfast broadband.

There must be two criteria applied to additional investment in infrastructure: (i) the additional funds must be ring-fenced, and (ii) projects must be economic accelerators.

2. Create a Northern Ireland wide Enterprise Zone (EZ). This is a concept the Ulster Unionist Party first explored with the UK Government as long ago as 2010. The exact nature of the EZ must be determined in a manner that does not restrict future access to the EU's single market, so final decisions on the elements making up the EZ must await the conclusion of the Brexit negotiations. However, common components of successful EZs include rates relief, capital allowances (tax relief on capital investments), other tax reliefs that encourage reinvestment, research and training; fast track planning and superfast broadband. A Northern Ireland specific rate of Corporation Tax (CT) may still be desirable, but given the delays in securing the necessary legislation since we proposed a NI-specific CT rate in 2010 and the subsequent lowering of the UK-wide rates, it may be that a rate of no more than 10% would be required to offer a meaningful differential with GB.

A reduced rate of VAT for hospitality and tourism would increase competitiveness with the Republic of Ireland, while a similar cut in VAT on the Repair Maintenance and Improvement of existing dwellings would give a significant boost to the construction sector (as evidenced by the Isle of Man experience).

The abolition of Air Passenger Duty (APD) would be appropriate, as outside of the Highlands and Islands of Scotland, NI is more reliant on air transport than any other UK region.

We also believe there is scope to review Northern Ireland's Procurement processes, ensuring maximum advantage is afforded to indigenous companies and that the Northern Ireland Executive brings forward a pipeline of major tenders, ensuring local companies who are unsuccessful in one tender do not have an undue wait for the next procurement process.

Consideration should be given to the creation of a £1 billion venture capital fund in partnership with an experienced venture capital investor.

3. Maximise the potential of our people with a step change in skills and education, making Northern Ireland's education and training systems the best in class. Our people are often cited as a determining factor in attracting inward investment, yet fundamental gaps and shortfalls

in skills are obvious. To maximise access to appropriate skills, responsibility for both working and study visas for NI should become a devolved matter.

Maximising potential also means making a real commitment to tackling our shocking rates of poor mental health and wellbeing. Poor wellbeing is a major factor in the number claiming benefits rather than seeking employment. The Executive has a duty to help. As the issue is partly a toxic legacy of the Troubles, the Executive must seek additional, ring-fenced funding from HM Government, as Dealing with the Past is not covered by the Block Grant, nor are there any Barnett Consequentials for the other nations of the United Kingdom.

In combination, the above points should lead a drive to establish Northern Ireland as the most business-friendly region in western Europe, benchmarked nationally and internationally.

4. Guarantee no group in Northern Ireland is worse off financially as a direct result of Brexit, for a minimum of five years, from the date of withdrawal from the EU is completed. This includes our community & voluntary sector, the farmers the First Minister has promised will be resourced 'as well, if not better' after Brexit is honoured, and our universities, for whom EU research funding is critical. Figures from the Executive sponsored Office of the Northern Ireland Executive in Brussels (ONIEB) identify our universities could have expected to share in a Northern Ireland drawdown of 145m Euro from Horizon 2020, the current EU research and development programme.

The ONIEB has identified EU funding for Northern Ireland in the current 2014-2020 EU Multi-Annual Financial Framework (MFF) period as follows (all figures in Euro):

European Regional Development Fund	308m
European Social Fund	183m
INTERREG	240m
PEACE IV	229m
EMFF	24m
Common Agricultural Policy	2,300m
Rural Development	227m
Horizon 2020	145m
	(target)

It should be noted these figures do not tally with those of the Department of Finance, quoted above.

Additionally, the ONIEB makes clear that their "Liaison Officers will continue to explore both funding and networking opportunities in relation to a wide range of topics."

Offering guarantees to Northern Ireland's farmers presents a particular difficulty, given none of the options of customs union, free trade area, or the European Economic Area afford unrestricted trade in agricultural goods.

5. Increase investment in Research & Development and Innovation. This is essential to the future health of our economy. HM Government's priorities may well not be the same as Northern Ireland's and the Executive must seek assurances that European monies lost post Brexit are replaced and enhanced by HM Government. For example, the local universities fear HM Government will support the triangle of London, Oxford and Cambridge over Queen's and Ulster Universities. The NI Executive, working with the devolved administrations as appropriate, must make robust cases for the retention and enhancement of investment by HM Government in research, development and innovation beyond the south of England.
6. Safeguard the Common Travel Area, to ensure Northern Ireland's people retain the right to unfettered access to all areas of the island of Ireland, while negotiating new internationally agreed arrangements with the Republic of Ireland to make certain that Northern Ireland does not become a backdoor for illegal immigration into the United Kingdom. Imaginative new arrangements could draw on the experience of the Republic surrendering sovereignty at Dublin Airport to the United States for customs and security clearance, and the Calais model where HM Government part funds the arrangements in France;
7. Confirm that Northern Ireland's citizens will not face a hard border at Great Britain's ports and airports. Given the commitment from both the British and Irish Governments to maintaining the Common Travel Area in the post-Brexit environment, there is a valid concern that Northern Ireland's citizens could face a security regime similar to that applied during the worst of the Troubles when travelling to England, Scotland or Wales.

8. Ensure our consumers and businesses have continued access to the European Single Market on terms no less favourable than current arrangements. Northern Ireland has need of the so-called "four freedoms", goods, services, capital and labour:

- Freedom of goods is essential if we are to revive our manufacturing base and protect our highly successful and innovative agri-food sector;
- Portable services, such as back office legal services, have been core to some recent successes in attracting Foreign Direct Investment (FDI). This must be safeguarded;
- Without the so-called "banking passport" the City of London will suffer and shrink, with other international centres growing. One may be Dublin, whose opportunity may be Belfast's difficulty;
- Even the pro-Brexit DUP understand the importance to the NI economy of freedom of movement for labour. In the joint letter from our First Ministers to the Prime Minister, DUP Leader, Arlene Foster MLA, stated: "Policies need to be sufficiently flexible to allow access to unskilled as well as highly skilled labour. This applies not only to businesses and the private sector but also to the public sector employees who are heavily dependent on EU and other migrant labour. There is also the matter of the many thousands of people who commute each way across the border to work on a daily basis."

It will be equally important that the NI Executive is "live" and has the capacity and protocols in place to make timely interventions during the other negotiations as defined above. For example, a trade deal on beef between the UK and Argentina could have significant negative implications for Northern Ireland's beef farmers. We must not assume HM Government will be aware of, never mind sympathetic to our circumstances in these multiple negotiations.

9. Define the devolved policies to apply in the post-Brexit era. For example:
- How will the NI Executive protect our natural environment and biodiversity? While the UK may have the opportunity to adjust, reform or reject EU obligations, it is essential that this does not lead to an unregulated situation where there are no longer stringent obligations regarding matters such as water quality;
 - What international obligations remain for our fishing fleet due to the UK's membership of bodies such as the United Nations, the North East Atlantic Fisheries Commission? Brexit may relieve us of the annual torture of the December quotas negotiations in Brussels, but it may not offer quite the comfort our trawler captains seek.

The Ulster Unionist Party has identified several dozen organisations the UK will remain in, and conventions whose regulations will continue to apply, post Brexit, unless separate negotiations affect change. Not least among them is The Council of Europe, itself responsible for instruments such as the European Convention on Human Rights.

10. Revive EU interest in funding a physical centre dedicated to peace and reconciliation. The previous proposal to build a so-called Peace Building and Conflict Reconciliation Centre at the Maze outside Lisburn is discredited. Rather than allowing the debilitating stalemate at the Maze to continue, the Executive should engage the EU in funding a peace centre at an alternative venue, reclaiming the former Crumlin Road Courthouse, re-opening the tunnel connecting the Courthouse to the highly successfully re-imagined Gaol.

Additionally, as a final pre-Brexit legacy project, the Executive should seek EU funding for a People's Park, celebrating the global impact across all aspects of life of the people born in the north east of this island. It should be a virtual and physical project, with the latter based at Titanic Quarter, where record numbers of tourists arrive on cruise ships. As one example of the proposal's potential, many visitors are American but unaware of the heritage of Ulster Scots US Presidents whose homesteads they pass close to, en route to the Giants Causeway.

Conclusion

Brexit negotiators will not wait until the Northern Ireland Executive is ready. It is imperative that we know what is going on, what we want and that we have a strategy to ensure our views are heard and our policy priorities are implemented.

Like any party to a negotiation, the Northern Ireland Executive needs leverage, but divided houses have no leverage, and that is the case with our Executive at present.

The priority is to reach agreement, on a vision for Northern Ireland post-Brexit, on the plan to deliver that vision, and the key asks that negotiations must deliver.

The Ulster Unionist Party, as a responsible party of opposition, has tabled our proposals. We await the response of the Northern Ireland Executive.



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