

# DÁIL ÉIREANN

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AN COMHCHOISTE UM EALAÍONA, OIHDREACTH, GNÓTHAÍ RÉIGIÚNACHA,  
TUAITHE AGUS GAELTACHTA

JOINT COMMITTEE ON ARTS, HERITAGE, REGIONAL, RURAL AND GAEL-  
TACHT AFFAIRS

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*Dé Céadaoin, 10 Bealtaine 2017*

*Wednesday, 10 May 2017*

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The Joint Committee met at 2.10 p.m.

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MEMBERS PRESENT:

Deputy Michael Collins,	Senator Paul Coghlan,
Deputy Danny Healy-Rae,	Senator Trevor Ó Clochartaigh,
Deputy Éamon Ó Cuív,	Senator Niall Ó Donnghaile.
Deputy Niamh Smyth,	

DEPUTY PEADAR TÓIBÍN IN THE CHAIR

### **Business of Joint Committee**

**Chairman:** We now have the required forum of four Members, including one Teachta Dála and one Seanadóir, and we will commence the meeting. I wish to advise Members to turn off their mobile phones as they will interfere with the sound and may have the effect of hiding their mellifluous voices when they start to speak. I have not received any apologies as of yet.

*The joint committee went into private session at 2.08 p.m. and resumed in public session at 3.10 p.m.*

**Chairman:** Fishermen from Killybegs contacted the committee in the last number of days concerning a meeting that was held here previously to discuss what it takes to sustain rural communities. They indicated, along with the Irish fish producers, that they felt that there was an imbalance with regard to the witnesses that were present at that meeting. It is important to say that groups from both the north west and the south west were invited here, and we impressed on both groups the necessity to attend. However, only one individual came from the north west, and so there was an imbalance in terms of the witnesses that we had on the day.

It was also stated that the north west group from Killybegs did not feel that they were aware that the mackerel quota issue would be the issue for discussion. I feel that that is fair comment. The issue of the quota did, in my determination, come under the issue of what it takes to sustain a viable rural community and so therefore we proceeded with it. However, as a committee we should seek in future to give better prior notice to witnesses as to what exactly is going to be discussed.

It was also felt by the Killybegs fishermen that there were some inaccuracies discussed on that day. I will say that there were references to individuals, including Sean O'Donoghue. Mr. O'Donoghue was not in attendance to defend himself on that, and as a result those issues should not have been stated.

*The joint committee went into private session at 3.12 p.m. and resumed in public session at 3.20 p.m.*

*Deputy Michael Collins took the Chair.*

### **Development and Co-operation in Border Counties: Discussion (Resumed)**

**Vice Chairman:** We are discussing the future of community, social and economic development and co-operation in Border counties with representatives of Co-operation Ireland and the Centre for Cross Border Studies and, later, InterTradeIreland. From Co-operation Ireland I welcome Mr. Peter Sheridan, chief executive officer; Mr. Brian O'Caoindealbain, research and evaluation officer; and Ms Susan McKay, director of the Glens Centre, Manorhamilton. From the Centre for Cross Border Studies I welcome Ms Ruth Taillon, director; Dr. Anthony Soares, deputy director; and Dr. Katy Hayward, board member. I thank them for their attendance.

By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the joint committee. However, if they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only

evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or an entity by name or in such a way as to make him, her or it identifiable. I also advise them that the opening statement and any submission they have made to the committee may be published on its website after the meeting.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official, either by name or in such a way as to make him or her identifiable.

I call on Mr. Sheridan to address the committee.

**Mr. Peter Sheridan:** I thank the joint committee for its invitation to give evidence. I have submitted a paper on behalf of Co-operation Ireland and do not propose to go through it now, as members will have had an opportunity to read it.

It will come as no surprise to the committee that our interest in this matter concerns Brexit, in particular, and its impact on rural and local communities on the Border between Northern Ireland the Republic of Ireland. As an organisation, Co-operation Ireland took a neutral position on the referendum in Northern Ireland, not least because some board members were pro-Brexit, while some were pro-Remain. For example, the former First Minister Mr. Peter Robinson and the former chairman of the Ulster Unionist Party were pro-Brexit, while my vice chairman, Mr. John Bruton, and the chairman were pro-Remain. That said, the board was able to agree on a number of matters, for example, the protection of the peace process, the common travel area, there being minimal impact on the Border and the importance of deepening and strengthening British-Irish relationships, given that tensions are more likely to arise during the negotiations.

I do not have to tell anyone in this room that the future of community, economic and social development is at risk as a result of Brexit. From communities and those with whom we work on the ground, I pick up concerns about the sustainability of local communities. Currency fluctuations are already impacting on some communities and businesses which worry about trade, tariffs and customs, the CAP budget and the integrated supply chains across the Border daily. Like everyone else, I cannot give guarantees on this issue. Since the Good Friday Agreement, there has largely been an invisible border. A farmer on the Border told me that people had not thought about it since the peace process and did not see it anymore. The Border re-emerging is a risk. If it does, will it become an issue of identity? The wider context of European integration took much of the heat out of the Border issue and made a region in which inhabitants could be British, Irish or both easier to imagine. The potential for that being undone in communities is now real.

The main apprehension I am picking up is local people's concerns that the global issues of trade and customs, the focus of governments, will dwarf the local issues faced by rural communities. These global issues will affect the communities in question, but the impacts will be specific to where they live if there is a return to a physical border.

Other issues include the loss of EU funding, the protection of human rights and agriculture. Some people see opportunities, but what they might be is not clear at this stage. There are concerns in the tourism and agrifood sectors about the impact of Brexit on working class rural communities.

That is all that I want to say. I will turn to my colleague from the Glens Centre in County

Leitrim who I asked to join us because we work closely with the centre.

**Vice Chairman:** I thank Mr. Sheridan.

**Ms Susan McKay:** I am a former journalist and wrote extensively during the Troubles and the peace process about the Border region. It is a region that I know well in terms of the suffering it has experienced in every way during both during and since the conflict, including economically. When I recently wrote about Brexit for a British magazine, I discovered that, as Mr. Sheridan mentioned, there was a great deal of apprehension, with many saying they did not know what to expect but that they feared it would not be good. That fear appears to be well grounded.

I run the Glens Centre, a small community arts centre in Manorhamilton, a small town with a large but underpopulated rural hinterland that extends into counties Donegal, Fermanagh and Cavan. Our belief in the Glens Centre, one that is shared by most arts and cultural organisations around the country, is that culture and the arts enable transformations and allow people to translate hard feelings into ones that are more fluid. They enable people to contemplate other ways of seeing things. I will give a simple example in the context of the peace process. Consider the role played by Professor Frank McGuinness' "Observe the Sons of Ulster Marching Towards the Somme". It created all kinds of cross-Border relationships that were helpful to the peace process. The Glens Centre has just received a significant grant from the International Fund for Ireland to undertake a cross-community, cross-Border programme using the arts and culture to build relationships. We must count on being able to move back and forth across the Border to set up these relationships.

I wish to discuss the nature of the Border. Mr. Sheridan referred to the currency issue. In the journey I made this morning from the west of the Border region to the east to attend this hearing, I crossed the Border so many times that I ended up accidentally paying for my diesel in the Republic with sterling because I was not sure anymore of where I was. It is funny in a way now, but it will not be funny if each of these crossings becomes impossible because it is a non-approved road or difficult because of traffic jams at Border crossings. Whatever else happens, Brexit will make cross-Border relationships - day-to-day relationships, as well as those related to the bigger picture - more problematic.

Mr. Sheridan referred to farmers telling him that the Border was no longer thought about. The fear that used to prevail along the Border on all sides is largely gone, but old habits of wariness still remain in communities in the North and the Republic. Manorhamilton, for example, is a town with a significant Protestant minority. We are facing a situation where there may be polarisation and a reversion to separatist outlooks, neither of which are helpful to the peace process. We may be facing into a period which will lay waste carefully nurtured relationships as well as risking massive waste of the many EU, American, Irish and British funds that have gone into trying to nurture cross-Border relationships in a constructive way. We welcome, of course, the assurance from the Department of Foreign Affairs and Trade that it will step in if, as seems inevitable, peace funding is lost in the Border region, but I wonder how realistic that is in light of recent swingeing cuts to the community and voluntary sector and to arts organisations in the Republic as well as in the North. Manorhamilton is a very poor town. It is a very typical Border town and one only has to look at it to see the damage that has been done to the Border area. There are a lot of ruins, a lot of failed businesses, a lot of subsistence and a lot of emigration. One sees schoolchildren in the town but one does not see young people in the 20 to 30 age group because they have simply gone and not come back. There is a lot of dependence on EU grants and a lot of neglect. The upside of that, however, is that artists have moved into

the area because they can afford to do so, and there are little houses available for prices not seen in most other parts of the country. This is definitely a positive development, but it is important that is maintained and nurtured. Since moving into my present role I have been quite astonished by how little artists live on. We cannot charge high prices in The Glens Centre because people simply do not have the money to pay high ticket prices, and we are very typical of Border arts organisations in this respect. We get funding from the Arts Council and from Leitrim County Council and we recently got money from the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs, for which we were very grateful, to do some restoration work on our building. The fact remains, however, that we are giving subsistence levels of payment to some surprisingly well-known Irish artists. With talk of further cuts, and Brexit on top of that, we could be looking at quite a difficult situation for people. The Government needs to be very aware of this in the coming period.

**Vice Chairman:** I thank Ms McKay for her contribution. We will hear from the Centre for Cross Border Studies before moving on to questions.

**Ms Ruth Taillon:** I thank the committee for the invitation to come here today. We submitted a paper as well, but it was submitted in March and as the committee will be well aware, things have moved on quite a lot, certainly in terms of the Brexit debate. There have been some reassurances, but also possibly a change in tone in some of the discussion around Brexit which might undermine these reassurances. We have a number of concerns. The centre has worked on issues around the Border for many years now. We also have an all-island agenda, but certainly in terms of the Border region and Border counties, we have done quite a lot of work on the Border development quarter concept, for instance, and working with groups. Most of our work on cross-Border co-operation has for many years now been framed, both within the imperative for co-operation that is in the Good Friday Agreement, but also EU cohesion policy. One of our big concerns now with the UK withdrawal from the EU is that there is going to be a policy divergence. We are be very concerned, for instance, that the cross-Border bodies working to a common regulatory remit, such as Waterways Ireland and Safefood, will be undermined by Brexit. We could, for instance, start losing some of these environmental protections or whatever, perhaps not immediately but certainly over a fairly short period of time. We also concur with the comments made by Co-operation Ireland about human rights. We have very much welcomed the civic dialogue. Another concern I will flag before passing on to my colleagues is the importance of maintaining the kinds of relationships which were broken by the Troubles and the Border, but which programmes like PEACE I and PEACE II and the INTERREG programmes were very much geared at rebuilding. We need some kind of replacement for those programmes and priority to be given to that. There have been huge demographic changes on the island, North and South, since the common travel area was brought in, which only applies at present to UK and Irish citizens. The priority is not just on what the Border is going to look like, but on the rights of both UK and EU citizens already on the island. These really need to be preserved, because the social cohesion aspect of the peace process is something that should concern all of us on the island. The changes and the poverty issues discussed by Ms McKay are certainly the kind of things that could lead to a further breakdown of community relations on both sides of the Border region. Those things are very much tied into economic and social development as well, so they are concerns. I will pass on to my colleague, the deputy director of the Centre for Cross-Border Studies, Dr. Anthony Soares.

**Dr. Anthony Soares:** I thank the committee for this invitation. With regard to the Good Friday Agreement, we have been working on the Brexit issue for some considerable time and from the outset we said that Brexit does not necessarily represent an existential threat to the letter of

the Good Friday Agreement, including strand two. It is the spirit of strand two, however, that is potentially at risk from the UK's withdrawal from the EU. This will then affect the ability of Northern Ireland to access EU funds that support co-operation. Post-Brexit, it is important that strand two of the Good Friday Agreement survives, not simply in terms of the institutions themselves. We said from the outset that the North-South Ministerial Council, for example, was not under threat from Brexit, because it can continue to operate, but that the spirit of strand two lives through communities and their ability to co-operate, especially in the Border counties themselves. The architecture of the Good Friday Agreement in strand two will become a fossil unless there is that ability to co-operate between communities. When I say communities I am talking, not just about community organisations, but also small businesses and their ability to trade across the Border.

As Ms Taillon said, our written statement was presented in March. Since then the European Council and the European Commission have issued a series of directives and guidelines on the upcoming negotiations, and we have to focus on some of the positive language there. I am not saying that the European Commission or any of the European institutions were necessarily taking directions from the Centre for Cross Border Studies, but I would like to point out that in the discussions around a special status for Northern Ireland, we were quite clear from the outset that the language used was perhaps not helpful, and we should be talking instead about creative, imaginative and flexible solutions. This is precisely the language now used about the negotiations in the European Parliament resolution of April. The Council guidelines also refer to creativity, imagination and flexibility for our particular Border, and the European Commission directors repeat this language. What we have to focus on, perhaps, are those creative, imaginative and flexible solutions that will enable communities along the Border to carry on co-operating and relating to communities on the other side of the Border and not to retrench and look inwards.

**Dr. Katy Hayward:** One point has been rather lost in the discussion about potential impact of Brexit on the Border region, and that is the position of cross-Border workers, that is, people who live on one side of the Border and work on the other. The Centre for Cross Border Studies has conducted reports that estimate that 23,000 to 30,000 people are in this position. This includes not just British and Irish citizens, but other EU citizens and other workers. The logic of European integration has been to offer protections for them, which has been crucial for facilitating developments in the Border region. This includes such things as aggregation of social insurance payments and access to services which are not just for the workers themselves, but also their families. Once the UK leaves the EU, the protection offered to these workers will be gone, including the principle of non-discrimination, which will no longer apply. This is a direct concern not just for people who work directly in the Border region, but also other Irish citizens who cross the Border daily to work.

**Vice Chairman:** I thank the witnesses for enlightening us on the situation that people in the North face. We all face these issues, but in the weeks and months to come we might know further how things are going to work out.

**Deputy Niamh Smyth:** I thank the witnesses for their presentations this afternoon. I come from a Border county myself, the constituency of Cavan-Monaghan. I have a background in arts, and I appreciate that artists always struggle in terms of employment and income. Artists living in the Border region they have depended quite a bit on funding. The Arts Council is the main source of that funding. It is a national funding stream. The cross-Border opportunities that we have had over the past 20 or 30 years have provided for artists, and of course Leitrim

is well known for being an artist capital in the Border region, particularly the Glens Centre and the Leitrim Sculpture Centre, which I have visited on a number of occasions.

With regards the dependency that exists in the Border region, between peace funding and INTERREG funding and other funding streams, and the arts being one of the main vehicles for promoting social cohesion and bridge building and allowing people to be comfortable with their own identity - be it in the minority or majority - are there any possible solutions for artists in this? We need to see continued EU funding going into the North to allow the good work that has been done to continue. Contrary to what Ms Hayward said, the everyday crossing of the Border to get to work or visit family is one of the main discussion pieces that I have been party to in debates. To return to Ms McKay, are there any solutions that we could be working on in terms of the artistic community that is so dependent on cross-Border funding streams?

**Ms Susan McKay:** The Deputy has obviously travelled around the Border area and knows it well. It is noticeable that much of the money that has been spent in the area is EU money. There has been a centralisation in Belfast and Dublin in terms of other investment. There has been EU PEACE money and American money in particular invested in the Border area. In the absence of that on the Northern side of the Border, both Governments are going to have to be mindful of the vacuum that will be created.

**Deputy Niamh Smyth:** A special case is warranted for the artistic community. Many people are shouting for the agricultural communities and about infrastructure.

**Ms Susan McKay:** Yes. For example, as Deputy Smyth has mentioned, Manorhamilton has the Glens Centre and the Leitrim Sculpture centre, and there are many individual artists living and working in the very beautiful region around there. One of the side effects of being an economic wilderness is that there is lots of unspoiled and beautiful countryside which artists have moved into. The marginalisation of the Border has been somewhat masked by the fact of all that international money going in there through the peace process. Once that is jeopardised by Brexit, governments on both sides of the Border, the Northern Irish Government, the British Government and the Irish Government are going to have to look at that and make up for it and recognise that it is an artistic area. The Tyrone Guthrie Centre is in that region. There are a range of arts centres along the Border which all co-operate with each other. Indeed, we are working on increasing that co-operation. It is a case that the governments are going to have to recognise that they will have to move in there and help. We are working on getting ideas on that. This weekend, Leitrim County Council and the Glens Centre are hosting an event in the Glens Centre for musicians and composers to talk about how to make a living out of one's work. Different musicians, including Lisa O'Neill from Deputy Smyth's county, Monaghan, will speak about how musicians can advance their careers in the very precarious world of being an artist.

**Deputy Niamh Smyth:** Are the creative industries highly dependent now on European funding streams? If one is an artist in Dublin or working in the arts industry, the first port of call is the Arts Council. We have been privy to other forms of funding that perhaps might not have been as accessible for artists living anywhere else in Ireland. Does the witness believe that because of that we have a high dependency on EU funding?

**Ms Susan McKay:** Artists rely upon audiences of one kind or another. If one is an artist in a city the opportunity exists to be taken into various different venues to do work and be paid for work. In somewhere like Manorhamilton an artist might get a gig in the Glens Centre once a year but will not get more than that. There are fewer opportunities to make money from per-

forming or showing.

**Deputy Niamh Smyth:** The risk is that those creative industries on the Border might be lost.

**Ms Susan McKay:** They might be lost, or life might become incredibly difficult for the artists. Many artists live on very little, and their dedication to their art or their craft is such that they are willing to put up with that. There has to be some recognition of the need for sustainability for them. If people are looking with concern to what is happening to the Arts Council at the moment, with the threats to Aosdána, although most artists are not in a position to avail of that, it shows that the little support there is may be fading away. That said, we do get funding from the Arts Council and the local county council in Leitrim.

**Deputy Niamh Smyth:** To be fair and honest about it, I am sure that the cross-Border funds, along with the beautiful countryside, have been attractions to allow the creative industries to flourish along the Border area.

**Ms Susan McKay:** Yes, and it has been very helpful in terms of social cohesion on both sides of the Border.

**Deputy Niamh Smyth:** Were there to be a hard border, something very visible, we are running the risk of a mass exodus of that particular industry from the Border region.

**Ms Susan McKay:** I doubt that we are talking about enough numbers to talk about a mass exodus, but certainly an exodus or an increase in pressure on people to leave because they simply cannot survive economically there. That would be a very bad thing for the country as a whole. It should be recognised as a cultural area. Manorhamilton alone deserves the designation of an arts and culture town, and something could be made of that. It is a very beautiful area. Tourists could be encouraged to come and visit. If we look at the success of the Wild Atlantic Way, for example, the Glens Centre is in the Glens which are very close to the Atlantic but there has not been any kind of incentive to bring tourists there. Mr. Sheridan invited me to represent where I work now, but also the wider issues. These kind of conditions prevail for people right along the Border area. The absence of economic investment and the sense that the Border was a slightly dangerous area means that artists have been able to live there because it is not such a desirable area for others who have more choices. This would be true of other parts of the Border region as well, on both sides.

**Ms Ruth Taillon:** To move away from the arts, well before Brexit was even spoken about or thought about we were involved with elected representatives on both sides of the Border in the Border development corridor. The rationale for that was that counties in the Border region have more in common with other counties on both sides of the Border than with the rest of the island, the rest of the UK or the rest of Europe. That was why the idea of cohesion policy, which is to bring more deprived regions up to the average, has been so important in the framing of what we try to do. It takes it a bit out of the hardcore political area and talks about social and economic advances and what needs to be done. With the Border corridor idea, we were saying that both sides of the corridor needed to skew policies and funding to allow the Border region to catch up. Certainly, with Brexit, there is a huge danger from all the things that make the Border a barrier in the first place, and the problems that has created over time with regard to people turning away from the Border. Centralisation in Belfast and Dublin is going to be exacerbated. We need a massive injection of some sort of replacement funding and we have made a number of proposals not only for the Border region, but also for us to build relationships on the island.

Going back to what I was saying about demographic changes, one of the big threats to the peace process will be scapegoating of people who are a bit different. We have seen that in places like Dungannon, where there are different ethnic populations and a different societal composition. That needs to be addressed and there needs to be a new “peace vibe” or whatever else it is called. Whether it has EU money or not, it needs to be directed to those issues around the danger to community relations that will come out as a result of Brexit.

**Mr. Peter Sheridan:** I have a point to back up what Ms McKay and Ms Taillon said. It is unthinkable for inhabitants of Derry, Newry, Manorcunningham or Manorhamilton that they would be cut off again from their natural hinterland across the Border. I said it in my opening remarks, but the fear among local communities is that they will be lost in the negotiations and that those will be about the higher level. It is a plea to ensure that local communities are welcomed during those negotiations and discussions. As both Ms McKay and Ms Taillon said, almost £1.5 billion worth of EU funding went into the Northern Ireland peace process. Most of that was along the Border areas. Post-Brexit, what will that impact mean? The British and Irish Governments will have to think carefully of what the impact is on that Border. We certainly do not want to create a semi-detached status for people who see their allegiance being to the Republic of Ireland, nor do we want to create a semi-detached status for people who see their allegiance being to Westminster. Those are people’s concerns and worries.

**Dr. Katy Hayward:** I will clarify my point about cross-Border workers. We welcome the interest and very active work being done by the Irish Government and Civil Service on the potential impact of Brexit. The concerns about cross-Border workers go beyond the issues of the common travel area and movement of people, and also beyond the question of protection for EU citizens. The EU has done much to specifically protect people, regardless of their citizenship status, who work on one side of the Border and live on the other. For example, it protects the provision or access to medical services for them and their family on either side of the Border. That is the point I am trying to make. It particularly affects people living in the Border region on both sides.

**Vice Chairman:** I have questions of my own. I am a farmer myself and would think that farmers in the North of Ireland would be extremely worried about what could be coming down the line. Has the UK Government given any assurances? Many farmers are reliant on European aid. What is going to compensate them going forward if we have a situation where Brexit goes through? Much trade moves across the Border. Could we see the reintroduction of smuggling such as happened before? Is that a worry that the witnesses envisage going forward? A majority of people in the North do not want to leave the European Union and they must be very frustrated and annoyed that this is happening. It is happening over their heads. How are they coping with this? Are they angered? Will it lead to the break-up of communities? What is the feeling there? I would appreciate if the witnesses could address those questions.

**Mr. Peter Sheridan:** Subject to correction, the British Government has said that it will continue to fund the farmers currently funded by the EU up to 2020. They will continue to do that for the farmers. There is no sense of what will happen after 2020. One could also make the argument that CAP funding was only up to 2020, and we do not know what would have happened after that, but as I understand it, the British Government has committed to continue it up to 2020. On the smuggling side, my background is as a police officer in Northern Ireland, and I had responsibility for the Border. I would be very surprised if there are not people thinking about how they can maximise the benefits if there are tariffs on one side of the Border or the other. The history of this place is that that is what happens, and it is inconceivable that people

are not already thinking and planning for it.

On the Acting Chairman's question on how people are feeling, it is mixed. Some 56% of people voted to remain in the EU and clearly want to remain in, and see their allegiance as to this part of the island. There is frustration and anger. There is also a considerable section of the community who have seen no benefits from Europe and see that Britain can stand on its own two feet. It is a bit of a mixed bag. What surprises me is that if the referendum was run again, I am not sure that the result would be very different despite what we all know now and some of the more dire predictions that have come out of it. That answers some of the Acting Chairman's questions.

**Ms Ruth Taillon:** On how people are feeling, one of the points that we really need to make here is how much we welcome the Taoiseach's initiative on civic dialogue and the fact that that was a North-South dialogue, and make the plea, which I think has already been made in a few different places, that some sort of structure like that can be allowed to continue. We are especially feeling it now where, with the whole Brexit debate moving on, there is no channel for people in the North on either side of the debate to make their voices heard. If that North-South dialogue can be maintained over the next few years, that would be very important and welcome.

**Dr. Anthony Soares:** On the question of agriculture and reassurances from the UK Government, Mr. Sheridan is correct that the UK Government has given those reassurances up to 2020, but I would like to point out that we did a report about the agrifood sector, looking at four counties along the Border specifically, prior to the EU referendum. Many of the producers referred to EU support during the research for that report. I spoke to some during the immediate run-up to the referendum, and some of those producers in Northern Ireland - from two counties in Northern Ireland on the Northern Ireland side of the Border - said that they intended to vote to leave, and having spoken to them and others after the referendum, they did indeed vote to leave. There are farmers in Northern Ireland who chose the option to leave the EU. On that reassurance up to 2020, one of the things that the agri-food sector in Northern Ireland will have to face post-2020 is that UK Government support, whatever it might be for farmers post-2020, will depend on annual budgets, so every year, farmers will have to lobby the Government to secure financial support on a yearly basis. Currently, under CAP, there is a seven-year budget, so farmers can plan what they are going to do on a medium-term basis since they are guaranteed those funds. That is going to be a major challenge going forward.

The UK's Secretary of State for Exiting the European Union, Mr. David Davis, said in the House of Commons that the possibility of an increase in cross-Border smuggling is perhaps the price that the UK has to pay to maintain a frictionless Border. We think that is potentially a negative perspective. Yes, the majority of people in Northern Ireland opted to remain, but we also have to realise that a significant minority actually voted to leave the EU.

We have to address the issue of maintaining cohesion within Northern Ireland between communities and between sections of the population who had different approaches to the referendum, and also to maintain those relationships on a cross-Border basis. One of the potential threats that we are facing is that communities on both sides of the Border will start to look away from each other once again, which is something that we thought we had overcome because there has been much more communication between communities. As Ms. Taillon pointed out earlier, we have considered on various occasions that if Northern Ireland cannot access EU funds, then this will be a litmus test for the Governments in Dublin, London and Belfast in terms of their commitment to strand two of the Good Friday Agreement. Will they come up with a programme to replace the EU-funded programmes that currently exist for cross-Border

co-operation?

*Deputy Peadar Tóibín resumed the Chair.*

**Chairman:** I am sorry I was obliged to leave but I had to speak in the Dáil. I have read through some of the notes that were sent in advance. I might have missed some of the questions or I might repeat some of them. One of the key issues is if Britain leaves the Single Market and the customs union, which is very likely, it is impossible to see a situation where there will not be some level of controls on the Border. The only way to fix that situation would be to push the Border into the sea, so that the island of Ireland at least would still function within the EU. Does the witnesses have specific views as to the attractiveness of that policy option and the likelihood of it being taken up?

**Mr. Peter Sheridan:** I briefly touched on that in a previous answer. There are two dangers that we foresee with it. If the Border is along the land frontier between the Irish Republic and Northern Ireland, with customs posts and so on, then that certainly runs a risk of semi-detached status for northern nationalists who are aligned more with this jurisdiction than London. Any obstacles or impediments on the Border would make people start to question their ability to be Irish. The Good Friday Agreement allowed people to be British, Irish or both. Likewise, if the Border is in the middle of the Irish Sea or on British ports then there is a risk of semi-detached status for those in the Protestant community who are aligned with London. They may find that in travelling from one part of the UK to another they will have to produce some identity documents. I do not know what the answer to this is. Both communities have very real fears.

**Chairman:** Does anyone else want to offer an opinion on that?

**Dr. Katy Hayward:** We could go round and round on this when we talk about it in majoritarian or ideological terms. It is interesting to note the goodwill of the EU in looking out for flexible solutions. The Northern Ireland Affairs Committee recently published a report on electricity and energy and discussed special status on energy in Northern Ireland, which was a significant and notable step forward. This would be unusual in a European Union context, but it might be possible to start talking about sectoral or sub-sectoral interests with regards special arrangement for the Border region or for Northern Ireland with the rest of Ireland in areas like trade. If there are special arrangements for Northern Ireland, for example, if it stayed in the European Economic Area, that would solve many trade problems immediately. As Mr. Sheridan has already said, it would bring in new problems for east-west trade. It may be extremely complicated but it might be worth beginning to look into particular sectors that would be most damaged by a hardening North-South Border and investigate special arrangements at that level.

**Chairman:** It also creates the potential for a competitive advantage in an internal UK sense for the North of Ireland. If the North of Ireland remained ruled from London to a certain extent but within the EU, its access to the EU would obviously be enhanced *vis-à-vis* its competitor regions in the rest of Britain. Have the groups given any thought to the idea of sectoral customs unions? Turkey is within the customs union, and I understand Norway has a customs union in respect of certain products. Has the group considered whether Britain would stay inside the customs union in certain sectors and how that could be beneficial on an all-Ireland basis?

**Dr. Anthony Soares:** Looking at the UK Government's approach prior to the triggering of Article 50, it is clear from the Prime Minister's speech at Lancaster House that it seems as if membership of the Single Market is totally out of the question. Membership of or any relationship with the customs union was left slightly open, but it seems that that door is closing

somewhat. We also have to look at the European Union's approach to it. We are seeing tensions within the EU's approach. They have been categorical in that they do not want sectoral deals or to offer sectoral membership of the Single Market to the UK as a whole. In terms of looking at sectoral deals, we should be more ambitious. Let us take those words - creativity, imagination, flexibility - and instead of looking at particular sectors, let us continue looking at how we resolve the situation for Northern Ireland in particular, for the UK as a whole but also for Ireland. We must remember that Ireland will continue to be an EU member state and will need to have its own specific circumstances accommodated by the other member states as we move forward through the Brexit negotiations. It would be prejudicial if we start minimising our approach by looking at sectors instead of being creative and ambitious and look at the whole situation rather than particular industries. If we take the agrifood sector versus manufacturing, membership of the customs union is absolutely essential for the agrifood sector, whereas for many industries within the manufacturing sector it is more about non-tariff barriers than about Single Market membership. There are different requirements for the economy North and South. We have to start with a more ambitious approach instead of looking at particular sectors. I am not saying that we do not move.

**Chairman:** The North has a population of 1.8 million people. If it leaves the EU, all of those people have the option to exercise a right to be Irish citizens and an option to therefore be EU citizens. A particular anomaly will exist were there will be a continuous citizenry outside of the boundaries of a political entity. I understand that there are threats to both communities from the location of the EU border, but at the very least that has to be added in to the understanding of where that EU border is.

**Mr. Peter Sheridan:** Where we have the potential for an economic union across the island of Ireland, that might resolve many of those issues. I take the point made here by colleagues that the EU has already indicated that the common travel area does not seem to be the issue we had thought it was going to be. We have not got anywhere near the end of discussions on that but it looks as though the common travel area will remain in place. I think the issues will become those of trade and customs and what impediments that puts on a border and how we minimise that to the maximum degree.

**Chairman:** Why does Mr. Sheridan think the EU has minimised the common travel area as an issue?

**Mr. Peter Sheridan:** Why have they not?

**Chairman:** Mr. Sheridan said they have said it was not potentially so big.

**Mr. Peter Sheridan:** There is some recognition that the common travel area was in place before the European Union was in place and as it worked then, why would it not continue to work now. I have met some of the European leaders and I had not detected that it is going to be the major issue. The issue of trade and customs is where the focus seems to be at this time but we are at a very early stage in this regard and none of us know.

**Chairman:** We are in a world of conjecture.

**Ms Ruth Taillon:** I do not think we should be complacent about the citizenship issue because there are dangers with it being a two-tier citizenship, where some people who do not choose to take their Irish citizenship and therefore maintain EU citizenship will be living on this island with others who are EU citizens. Moreover, for those who do get their passports,

these are limited rights in the sense that one can travel and go on one's holidays or take a job elsewhere in Europe but it does not necessarily guarantee health coverage or a student's right to study at a university in Europe on the same basis as a European citizen. We do not know exactly where those kinds of things will hit us in the face but there will be dangers down the line when some people in the North have some rights and others do not. It will be a messy situation and we do not know how it will play out in terms of where the issues will arise.

**Dr. Katy Hayward:** I was going to say the same thing but also that we should not confuse the issue of travel with citizenship rights. The Irish Government would first have to follow up in paying for that for Irish citizens in the North, as Ms Taillon was saying, who might have Irish citizenship and take EU citizenship and then access services abroad. The Irish Government would be responsible for paying for that. In addition, the common travel area is not an easy solution and does not relate to rights *per se*; it relates to not being subject to immigration controls when one enters. It needs to be much more formalised, which would be an incredibly complicated process, if it is to address matters such as access to services, rights of residency, access to social benefits and so on.

**Dr. Anthony Soares:** Dr. Hayward is right about the common travel area, and Mr. Sheridan referred to it earlier. I am trying to look for some positives. The European Council and the European Commission have referred to the common travel area and almost given a green light to it, including reciprocal arrangements between the UK and Ireland. It refers to that, although there is a little catch-all at the end of it to the effect that it will be within the EU legal framework. That is where we have to dig down and see whether this is now solid and it is being accepted that we can continue on post Brexit with those reciprocal arrangements that currently exist. As Dr. Hayward said, the common travel area and the arrangements around it need to be given more of a solid legal basis in both jurisdictions, that is, in Ireland and the UK, because at present, no single legislative item in Ireland states here is the common travel area Act and it is the same for the UK. There is no single item of legislation setting out exactly what is the common travel area and what are the arrangements around it. We really need to think about giving it more of a legislative basis than exists at present.

**Chairman:** Witnesses may or may not want to answer this but would they rather be Spain or Ireland going into negotiations at the moment, given that Spain has a veto and Ireland has positive things?

**Mr. Peter Sheridan:** I do not know enough about it.

**Chairman:** Last year, I had the opportunity to develop the first all-island economy document to be produced by the Oireachtas. I got to speak to some of the organisations present today on it from which I got great information for which I thank them. I spoke to approximately 100 organisations, groups and individuals including trade unions, cross-Border studies groups, farmers, business people, the Confederation of British Industry and so on. All were of the view that if we plan, fund and deliver services together on the island of Ireland, typically they will be more efficient and will serve the citizens North and South better. First, is it not the case that we do not do that at present and there are major gaps and spaces available to us? While we have Altnagelvin, the cancer treatment centre, emergency helicopters in places and so on, really the approach to that kind of delivery, North and South, is haphazard at best. Second, is it not the case this space is under major threat at the end of this negotiation period?

**Dr. Anthony Soares:** Since its inception, the Centre for Cross Border Studies has promoted, advocated and supported cross-Border co-operation. One reason we have done that pertains to

cases in which cross-Border co-operation, initiatives and interventions actually help us in terms of sharing resources. They therefore are of economic benefit through such sharing of resources, reduction of costs and becoming more efficient. However, in terms of a blanket agreement that it is always good, we need to be very careful. Earlier, Mr. Sheridan referred to citizens and a certain amount of disaffection among those in the UK as a whole and in Northern Ireland who did not see EU membership as having been of benefit to them. One reason that may have happened is because they have not given active agreement to certain initiatives. Giving a blanket agreement that this is always good or that cross-Border co-operation is always good and therefore somehow people must always agree to it, is potentially a negative approach. We need to have citizens' agreement and participation in those types of initiatives rather than something that is seen as being imposed on them. If they are not actively participating and are not actively involved in the design of programmes and projects, then they see themselves as being outsiders and being relegated and marginalised. I am wary of blanket agreements. I want to see citizens from both jurisdictions, particularly from Border counties, being involved right from the outset in any of those proposals or initiatives because that will buy them in and then they will not think they are being involved in something they have not bought into.

I have been working with community groups along the Border from both sides. Some community groups from some sections in society see economic cross-Border co-operation in generally positive terms but cross-Border co-operation generally is seen as part of a political project into which they are not buying and therefore they are reluctant to get involved in some cross-Border co-operation initiatives. We must involve citizens from the start.

**Chairman:** I agree that obviously, logically, cross-Border co-operation could be seen as a threat but the truth would be that it is far from the default. Co-operation is probably the minority experience with regard to North and South. Would it not be logical at least to organise some level of systematic trawl through the services delivered on the island of Ireland, ascertain which are not contentious and then seek more co-operation in their delivery? At present, it seems haphazard and no one appears to be seeking to marry the two systems together at least where there is agreement. There are excellent examples of where it does work but they are the exception rather than the rule.

**Mr. Peter Sheridan:** I will answer that and then perhaps I might be excused, along with my colleague, as we are on the train back to Belfast and if I miss it, I will miss the connection to Derry. That would leave me home at some stage in the middle of the night even if there was a train to get there.

The Chairman mentioned Altnagelvin Hospital, with which I am familiar. There is no doubt that access to INTERREG, which has allowed this co-operation and partnership to grow, has had a positive impact on rural isolated communities in counties like Donegal and Leitrim. It has enabled people in peripheral areas to access services. I agree that it is hard to see how the gaps that would exist in the absence of access to INTERREG would be filled. We are probably still at the beginning of the process of people having confidence in being able to share services between councils and so on. Now that Brexit has put the brakes on this process, people are more concerned about Brexit than they are about the areas of co-operation that were probably going to happen through good neighbourliness as the peace process continued to bed in.

**Chairman:** I thank Mr. Sheridan for his attendance at this meeting.

**Mr. Peter Sheridan:** I apologise for having to leave.

**Chairman:** That is no bother at all. I wish Mr. Sheridan a safe journey home.

**Ms Ruth Taillon:** I wish to mention something we have been trying to highlight for a while. It was decided in 2006 or 2008 under the St. Andrews Agreement that the areas of co-operation would be reviewed and further areas of co-operation would be sought. We have been putting a focus on the need for this to be reprioritised. We are concerned that the Good Friday Agreement seems to be getting reduced to strand one. We know there is a crisis with the institutions North of the Border. Progress with strands two and three has been pretty slow. Strand three is almost entirely outside public consciousness. The cross-Border bodies have just been ticking over without really being able to live up to their potential. This review needs to start by putting a focus on the strand two bodies and institutions. After progress has been made in that regard, civil society can weigh in on some of these issues. All this needs to be supported, resourced and institutionalised.

**Dr. Katy Hayward:** I would like to follow up on that. It is notable that the OECD report from 2013 said that trade flows and connections between the North and the South were falling significantly below their potential. That was in the post-Agreement context of a much more positive environment than the one we are facing now. When we talk about the cross-Border links that make sense as we face a post-Brexit context, I suggest we need to think about the British-Irish links in strand three as well as strand two.

**Mr. Brian Ó Caoindealbháin:** I would like to respond to the point that was made about co-operation. The extent to which North-South co-operation has become depoliticised since the Agreement has been one of the Agreement's quiet success stories. Perhaps the fact this has taken place within a wider European narrative about integration and cross-Border co-operation has taken some of the sting out of it for Northern unionists. I think we risk losing that through Brexit if there is a return to bilateral relations. Brexit has led to some conversations about long-term reunification. Maybe co-operation will again be seen as a stalking horse for that. I suggest that Brexit will put at risk the kind of supportive narrative that was there around co-operation.

**Chairman:** I have a final question. The Border, to a certain extent, is a man-made periphery. Typically, peripheries do not do well. That periphery will deepen with a hard Border. Has anyone made any efforts to research or estimate how a hard Border will affect the socio-economic experience of the people living in this space? I know they probably figure at the bottom of most socioeconomic indicators at present. Is it possible to estimate the exact impact? I assume it is not possible if we are still in the area of conjecture.

**Dr. Anthony Soares:** I think the Chairman has answered his own question. While there are some general things we can say about communities living along the Border, many of which applied prior to the prospect of Brexit, it is too early to make an estimate of the kind alluded to by the Chair. It must be borne in mind that there are three distinct areas within the Border region: the north west, which has its own particular characteristics; the Dublin to Belfast corridor, which also has its own characteristics; and the central Border area, which is the most rural of the three areas and is perhaps facing the most challenges. During economic booms, the counties adjoining both sides of the Border generally lag behind other regions on the island of Ireland. During economic crises, those counties are always those most deeply affected. They always take longer to benefit from an upturn and they are always the first to be affected by a downturn. We know from experience that if Brexit presents an economic challenge or leads to an economic downturn, communities in Border counties on both sides of the Border will suffer the most.

I would like to pitch something to the committee before we conclude. Members may have received an invitation to an information session being hosted by the Joint Committee on European Union Affairs next Tuesday, 16 May 2017, from 11 a.m. to 1 p.m. We are bringing over two teams from the Norway-Sweden border to address the seminar. The French ambassador in charge of trans-boundary co-operation will speak about the French experience of co-operation with Switzerland. This is an opportunity for Deputies and Senators to speak to those who are directly involved in administering and managing cross-border co-operation at the Norway-Sweden and France-Switzerland borders and who know the obstacles.

**Chairman:** We recently had a meeting with officials from the Norwegian embassy on this matter. We will definitely try to attend next Tuesday's event. I thank the witnesses for attending this afternoon's meeting. I apologise for being unable to attend the entire session. I was unexpectedly called to speak in the Dáil Chamber. I ask the witnesses to keep up the good work. We hope to be in contact with them soon.

*The joint committee went into private session at 4.27 p.m. and resumed in public session at 4.34 p.m.*

**Chairman:** We will now consider the topic of the future of community, social and economic development and co-operation in Border counties with representatives of InterTradeIreland. I welcome Mr. Thomas Hunter McGowan and Mr. Aidan Gough and thank them very much for their attendance. Before starting, I draw their attention to the fact that by virtue of section 17(2) (I) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. If they are directed by the committee to cease giving evidence on a particular matter but continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable.

I advise the witnesses that their opening statement and any other documents submitted to the committee may be published by the committee on its website after this meeting. Members are reminded of the long-standing parliamentary practice to the effect they should not comment on, criticise or make charges against a person outside the Houses or an official either by name or in such a way as to make him or her identifiable.

**Mr. Thomas Hunter McGowan:** We welcome the opportunity to address the committee on this issue. InterTradeIreland helps business explore new cross-Border markets, develop new products, processes and services and become investor-ready. We engage particularly with small and medium-sized enterprises and, to date, we have helped over 32,000 small businesses on the island of Ireland. We work on a 32-county basis and we have activities in every county on the island of Ireland. Most of our supports are in three main strands, namely, cross-Border business funding, business intelligence and providing meaningful contacts.

Trade between the South and North is quite extensive and there is much traffic, and that has come into sharp focus recently as a result of the UK's decision to leave the European Union. Every month, there are over 177,000 lorry journeys, 205,000 van journeys and 1.85 million people crossings of the Border. It is active traffic and the relationship will be changed as a result of these new negotiations. We have been active in trying to assist companies in navigating their way through the coming changes. It is a particularly big challenge and our business monitor indicates 98% of businesses do not have a plan in place to deal with Brexit. On top of that, 80%

of businesses rely on the news as their main source of information about Brexit.

In order to address those challenges, we set about a number of practical measures that people can follow in order to prepare. In particular, we are talking about planning for Brexit and we have set out a roadmap for people and steps they should take, even with the uncertainty. I will leave it there and if the committee wishes to ask some questions, I can elaborate on issues.

**Chairman:** Before beginning, I should say I worked on an InterTradeIreland programme when I was much younger. It was the Focus programme and we worked with a firm in Armagh, so I have good experience with regard to the delivery of services that involve InterTradeIreland. From my perspective, it is one of the most useful organisations. The all-island economy is not operating at the level it should and trade flows North and South are at lower levels than possible. If we harvested the all-Ireland economy to its full extent, we would be far better off economically North and South. Really good steps have been taken by the organisation in that regard. How many businesses would consume InterTradeIreland services on an annual basis?

**Mr. Thomas Hunter McGowan:** On an annual basis we engage with approximately 3,000 companies. Of those, approximately 300 would be involved directly with programmes that we deliver.

**Chairman:** The others might attend conferences like the Go-2-Tender workshops, etc.

**Mr. Thomas Hunter McGowan:** Yes. We have engagement with companies and there are approximately 400 or 500 on Go-2-Tender training. We have approximately 60 FUSION programmes, which are the knowledge transfer programmes, in order to develop innovation capability within companies. We have a further 60 or 70 companies on Acumen, which is a sales programme. We could have 90 companies on our Elevate programme. There is a range of other activities such as business angel networks and business planning, as well as the US-Ireland research and development partnership. There is a feast of other things that we do that are not as directly related to companies.

**Chairman:** Research is a big element of the work and many of the key data sets for trade on the island stem from the body's research. Is that right?

**Mr. Aidan Gough:** We have a substantial, cross-Border, all-island research agenda. We publish two or three research reports annually and monitor trade statistics. We have been actively trying to identify the impacts of various Brexit scenarios at a granular or product level because that is the level we must get to.

**Chairman:** Before we discuss the various Brexit scenarios, what are the benefits of an investment in InterTradeIreland's work? Does the organisation record key performance indicators, including the benefit of each €1 of investment.

**Mr. Thomas Hunter McGowan:** We have key performance indicators on four different levels. The primary indicators are on first-time innovators to whom we give preference and first-time exporters. On an annual basis, we have at least 100 in each of these two categories. The second major area we measure is the business value generated. We set a target in our business plan of achieving a ratio of 9:1 for business value generated. By this I mean that for every £1 we spend on supports in a company, the company in question will generate a further £9 in additional sales, efficiencies, economies or investment. Our actual outputs are much higher than that. Last year, we had a ratio return of 16.6:1 on moneys invested. We had more than 150 in each of the categories of first-time exporters and first time innovators. All the key performance

indicators have been exceeded. The inference is the number of jobs created in companies as a direct result of interventions by InterTradeIreland. Last year, the figure stood at approximately 2,300.

**Chairman:** Does the figure refer to jobs sustained or created?

**Mr. Thomas Hunter McGowan:** It is a combination of both but it is attached to the intervention by InterTradeIreland.

**Chairman:** We are in the land of conjecture to some extent because as it is difficult for an organisation to scientifically measure the potential outputs associated with Brexit. How does InterTradeIreland address this difficulty in the research it is carrying out?

**Mr. Thomas Hunter McGowan:** There are two aspects involved. I will speak about the planning process, while Mr. Gough will discuss the research we are conducting in conjunction with the Economic and Social Research Institute and Central Statistics Office. On the planning element, we have prepared a Brexit fact sheet and produced a Brexit readiness voucher. We have asked companies to consider the impact on their business if one of the four freedoms were to be lost or affected in any way. I refer to the freedom of movement of people, goods and capital, respectively, and the right to establish a service in another jurisdiction. Companies need to consider first whether changes to or loss of any of the four freedoms would have an impact on their business. That sets the parameters for them and from there, we consider how we could deal with the issue. This can be done in a number of ways.

Mr. Gough will discuss the worst-case scenario in which World Trade Organization, WTO, tariffs would apply. In that context, we can also identify what the WTO tariff is for specific products. The principal point we are making to companies is that they should look at the product they are making as innovation is probably a factorial response of how they can deal with Brexit, simply because tariffs can be altered significantly through innovation. For example, by removing the salt, sugar or fat content of a product, a company could find that a much lower tariff level applies. Alternatively, a business may be able to use existing ingredients to make a different product that is not subject to tariffs. We are not saying tariffs will be imposed, we are presenting a worst-case scenario. That is what we are working towards.

**Chairman:** Did InterTradeIreland make any quantitative assessments of the potential imposition of tariffs or loss of each or all of the four freedoms? Do companies simply report that the loss of one or other freedom would have a negative effect on their development? Has an effort been made to quantify elements of the impact?

**Mr. Aidan Gough:** Our response to Brexit to date is based first and foremost on the information that came from our business monitor survey before Christmas. The survey, which I believe was carried out in November, showed that 98% of businesses were not making any plans for dealing with Brexit and found considerable uncertainty among businesses.

**Chairman:** Was the survey carried out north and south of the Border?

**Mr. Aidan Gough:** Yes, it was carried out across the whole island. In response to the survey, we went out on what was, to all intents and purposes, a roadshow. We spoke at probably 50 events in the past three or four months to try to get businesses to start planning, acting and engaging with the process. They have a window of opportunity to prepare in the period before a deal emerges. We discussed with business, first and foremost, the things they know. Northern Ireland companies in particular avail of the four freedoms that make up the Single Market. A

good starting point for all businesses is to ask what would be the effect if they could no longer avail of the four freedoms or if some of their customers or suppliers were not working to the same regulatory or customs union environment. That is the starting point.

**Chairman:** Can Mr. Gough provide feedback on the responses received?

**Mr. Aidan Gough:** That is the issue. Our latest survey indicates that 98% of businesses are still not planning, which means they are not responding to these questions at the moment. For this reason, we are actively trying to encourage them to start asking questions of themselves. With Brexit, the impact gets very granular and depends very much on the type of business involved. Only the businesses can answer the questions and we are asking them to start the planning process. We also have services in place to help them while they ask these questions. If they start asking questions and find they do not have the answers they need in certain areas, we will supply a voucher up to a value of up to €1,000 to help them obtain the expert advice they need. This will enable them to start to prepare for whatever new relationship emerges. InterTradeIreland does not comment in any way on what that relationship may be because no one knows the answer.

Again, we are not making a projection or prediction, but one of the scenarios for which the largest amount of information is available is if Britain and the European Union were to revert to a WTO type trading regime, which is sometimes known as the hard Brexit or cliff edge scenario. We know what the tariffs would be in this worst case scenario and we are completing some research, as yet unpublished, that examines the impact on cross-Border trade of a WTO tariff regime. It identifies the sectors that are most susceptible and at risk, right down to a granular product level. This is a useful starting point for a business because it can work with that.

**Chairman:** Can Mr. Gough provide a preview of the information?

**Mr. Aidan Gough:** No, it has not been published and we have to check it all before publication.

**Chairman:** When does Mr. Gough expect it will be published?

**Mr. Aidan Gough:** We are taking advice on how it is impacted because we report to the Northern side as well and there is an election in the North at the moment.

**Chairman:** Will the election delay publication?

**Mr. Aidan Gough:** We are not yet sure but we are taking advice on the matter. While I cannot give the Chairman an exact time for publication, it will be published sooner rather than later. We are still confirming the figures. It is very clear, as everyone is well aware, that products in the agrifood sector and agriculture as a whole are at greatest exposure. In the worst case scenario, the tariffs applied to roughly 85% of the approximately 2,200 products traded from North to South and 1,900 products traded South to North would be well below 10%. The biggest risk or exposure from cross-Border trade is that 50% of the trade in goods across the Border is in agrifood, the sector in which tariffs are highest. Again, we are not predicting an outcome but presenting a scenario to enable businesses to start planning on the basis of the information available.

**Chairman:** Has InterTradeIreland looked specifically at enterprises along the Border? There are two types of all-island focus. There is all-island aspect but there is also the periphery of the Border. Businesses operating within 30 miles of either side of the Border would have

higher exposures. Has InterTradeIreland focused on that?

**Mr. Aidan Gough:** We have not. We have always taken the approach of being an all-island body and the first stage is to look at the impact on businesses across the whole island. That type of tariff regime applies across the island to businesses if they are exporting. We are looking at other case studies which may give us that more granular and anecdotal type of evidence also.

**Chairman:** Could the witnesses send us lists of mitigating policies and which businesses could be involved to resolve some of the challenges?

**Mr. Aidan Gough:** We have already identified those and we are going out to businesses. The first thing is the planning part. A good basis from which to start planning is the worst case scenario. There is a different scale of an issue in the agrifood sector but the vast majority of businesses we work with are primarily in the manufacturing sector. As I said, tariffs for 85% of them were below 10%. One could build value into one's production chain to mitigate a tariff, which will, in essence, be transferred into a price increase in one's goods, through programmes like our FUSION innovation programme. We see innovation as a key response for business, but it is really about focusing them on making adjustments to their business models now by looking at lean techniques and innovation to mitigate the worst impacts of Brexit.

**Chairman:** Being a healthier business is the ultimate tool.

**Mr. Aidan Gough:** It is a starting point.

**Mr. Thomas Hunter McGowan:** We have been successful in a funding bid to INTER-REG to launch a new programme which will happen towards the end of June. It will be called Co-Innovate and is a partnership involving us, LEOs in the six Border counties, Enterprise Northern Ireland, Highlands and Islands Enterprise and Scottish Enterprise. Its key objective will be to develop innovation capacity in SMEs in the region. Even though it is not a response to Brexit and is quite separate, it will be very important to develop innovation in SMEs in the Border counties and the region.

**Chairman:** InterTradeIreland has been the anchor organisation for the likes of Horizon 2020 and different drawdown programmes for EU funding. Will that radically change now?

**Mr. Thomas Hunter McGowan:** All of our funding bar the funding for the new Co-Innovate programme is from the two sponsoring Departments. We are not reliant on European funds.

**Chairman:** However, InterTradeIreland facilitates the funding.

**Mr. Thomas Hunter McGowan:** We facilitate and Horizon 2020 has been something in which we have been involved actively from the start. We are a keen facilitator simply because we are in the position of having two partners in circumstances where three are necessary to get a Horizon 2020 project off the ground. We have been very successful over the years. The percentage of successful companies going through Horizon 2020 North-South is higher than the European average and has consistently been that way including during its predecessor, FP7. However, if the British exit means there is no further involvement in Horizon 2020, that may come to an end in 2020 or slightly beyond that. There is obviously also the option that it could continue. It is not necessarily the case that it will end at any particular time. Currently, it continues apace and has been a very important source of funding for research for many companies. We have an active portfolio of researchers across the island of Ireland and into Europe to get

the right connections to get people to collaborate on Horizon 2020. The Co-Innovate fund is possibly the first and last we will be involved in where we get funding for a particular project. Details of that will be released later in June.

**Chairman:** Is there any way to quantify the types of money that will be involved in these spaces for people? What type of drawdowns will typically be involved in these programmes?

**Mr. Aidan Gough:** So far under Horizon 2020, the North-South partnerships have drawn down approximately €63 or €64 million, which is substantially up on the North-South drawdown in the same period under FP7. As such, there has been a significant increase. As Mr. Hunter McGowan was saying, we do not see any slowdown in the number of applications or in the willingness to develop North-South partnerships to participate in Horizon 2020.

**Senator Trevor Ó Clochartaigh:** I apologise for arriving late. My colleagues and I were caught with Seanad duties earlier on. This is a really interesting debate and the questions so far have sparked many thoughts and questions in my own head. One of the things that struck me initially was around the urban-rural companies. Even looking at the map the witnesses have provided, it seems that InterTradeIreland has a greater rural spread than the other agencies which support business. Given the implications of Brexit, is there any urban-rural divide such that rural companies appear to be less prepared or better prepared? Will it have a greater impact on them because they are based in rural areas of Mayo, Fermanagh or wherever else?

Another sector of which I have experience is the audio-visual sector. There has been a great deal of North-South co-operation, in particular with the work that has been done through TG4 and both film funds North and South and because we are almost branding ourselves as an audio-visual island where it is good to come to make feature films or TV series. Does InterTradeIreland support many small audio-visual companies or other companies in that sphere? If so, are there particular implications for them? Obviously, there are different regulations, rules and guidelines from a broadcasting perspective which can be complicated to navigate, especially with the platforms changing. It is not just terrestrial television anymore. People are on satellite platforms and everything is merging into new media, online and smart phones. Will it be much more complicated for companies to navigate all of that where one partner company is in the EU and one is outside?

It is shocking to see that 98% of companies almost appear to have their heads in the sand as regards Brexit even at this late stage. There is almost a sense that they are hoping it will not happen. It is stark when figures like that are mentioned.

Another sector that strikes me is fish food. I have certain connections with the fishing industry and an interest in the sector as I come from a coastal community. There is obviously huge potential in the area of processing and marketing our fish which can be done on an all-island basis. Are there implications in that regard? Fishermen are concerned about quota changes and access to the raw material before one even talks about the added value.

Is there any difference in the level of preparation among companies in the North as compared to the South? Are the companies in the Six Counties more aware of the implications of Brexit than those in the Twenty-six Counties or *vice versa*? I might come back with a few more questions afterwards.

**Mr. Thomas Hunter McGowan:** I will speak first to the urban-rural divide. Many of the companies we deal with are in the manufacturing, engineering and services sectors. As Mr.

Gough mentioned, 85% of them will have tariffs of 10% or less even in the worst-case scenario. That would encompass nearly all of the companies we deal with and it could be quite low for many of these companies. In rural areas, there tend to be a lot of engineering type projects because they tend to be farm-based in the first instance. People tend to be more inventive when dealing with problems and coming up with solutions in that regard. We do not anticipate that the scenario would be worse for rural rather than urban companies. Much of the stuff in the urban setting tends to be more technology oriented. The split between them does not have any negative consequences, one versus the other.

We have not had many projects come across our path from the audio-visual sector with a North-South angle. A project has to have a real connection in that we are exporting a service, North or South. It is very important to get those relationships, which tend to be quite low in what has come across our book so far.

Senator Ó Clochartaigh also mentioned fish food. We deal with companies that process fish and have had some notable successes with companies in terms of packaging. Some of our FUSION graduates have developed fantastic solutions for fish processing companies. It is one area where, if tariffs were to be applied, the process itself effectively helps to reduce those quite considerably. A raw product versus one that has been developed with, say, someone in our FUSION programme will be quite considerably different and will have a much lower tariff. When we speak of tariffs, I should explain that there are thousands of tariffs. There are 375 different tariffs for fish alone. There is quite a comprehensive range of tariffs. That is why we are not definitive about any particular rates. There are many tariffs and it really is taken on a case-by-case basis.

There are great opportunities. We have dealt with companies dealing in both seaweed and fish. In particular, we have had fantastic successes in developing products. An example would be Oilean Glas Teo. in Donegal. Two people that were hand-harvesting seaweed made a product that makes grass very green. They could not get it into the Northern Ireland and UK markets. We got them a salesperson on the ground. To come to the end of the story, their clients now include all golf courses in Ireland, North and South, and most golf courses in the UK as well as Arsenal and Real Madrid and 12,000 golf courses in the United States. They have gone from employing two people to employing 23 people.

Those kinds of stories are important. They give people hope in that what might be small and humble beginnings can become quite significant in a local economy. There are a range of companies such as that one which have developed in Cork, Louth and Donegal, in particular companies dealing in fish products. Much of it is around the packaging and how it is done. There is a lot of technology involved in that. FUSION graduates can be helpful in that regard. We encourage companies that are thinking of going along that road to contact us. We will see what we can do because it could be a very good response in dealing with any kind of adverse consequences that might come.

**Senator Trevor Ó Clochartaigh:** From what the witness is saying, it strikes me that these companies are not just competing against other companies on this island. They are also competing against competitors elsewhere in Europe. The manufacturing area is cutthroat as it is and margins are very low. To take a 10% tariff on certain companies, would adding that extra little bit make it much more difficult for the companies InterTradeIreland is dealing with when they are competing with companies in France, Spain or Portugal?

**Mr. Thomas Hunter McGowan:** We are encouraging companies to build relationships

before anything happens and to develop a good relationship both with their customers and their suppliers. In some cases, there will be imports in the value chain that will be affected by Brexit in some way. We are telling companies to get familiar with their customers and to develop the relationship. Therefore, even if there are some adverse consequences, they may not lose the business simply because they have had to deal with a higher cost base. They will be known and trusted to give a good product or service. Now is a good time to build those relationships.

There are other programmes. Enterprise Ireland delivers Lean initiatives. They are very effective for slightly larger organisations. They can squeeze an awful lot of cost out of an organisation. These are the things we are telling people to consider and propel towards. We are not telling any company to give up and go away. If a company can diversify, that is well and good. However, often for SMEs the product or service that has been delivered is very much directed towards a reasonably local market. By local, I mean the UK or Ireland. It is not really transferable in a lot of cases to any other European country in a ready format. In that regard, we have to deal with what is in front of us and try to meet the challenge head on. That is why we put our Brexit advisory service in place. We will try to give a steady hand to anyone to guide them through it.

We are not alone. All State agencies have been active in this regard. Bord Bia is doing something for food companies and is helping people to navigate through that end of it. Enterprise Ireland is working with its particular clients. It deals with 3,500 companies. It is looking at companies that are exposed. Effectively, all the different State agencies work together and independently to try to help companies steer through this. We are confident that the concerns companies have can be addressed, by and large, and can be navigated fairly reasonably through all of this.

**Mr. Aidan Gough:** In terms of the question about a rural-urban differential impact and the lack of preparation among businesses, there is no rural-urban divide. However, our research and others have pointed out that the products which are most at risk are in the agrifood sector, which is the sector that is most at risk. Agrifood industry is predominantly found in rural areas and there is a much bigger proportion of the community in employment in it in those rural areas. There is a potential differential impact there in that regard.

**Senator Trevor Ó Clochartaigh:** That InterTradeIreland has a certain relationship with regard EU funding was touched on. Apart from that, how many of InterTradeIreland's client companies north of the Border would have a dependency on or some form of an income stream from EU funding of some sort? They may be primary producers that are availing of CAP monies or whatever or other research funding, etc. How do the witnesses see that impacting on their businesses and their ability to produce at a reasonable cost base and to innovate given the funds they may have got to do research or product development of whatever from a European perspective? Even from an education point of view, people living in the North will not be able to avail of some of the Erasmus opportunities to study in other European countries where there may be expertise in a particular area or field. Do the witnesses see that having an impact on the resources, that is, the people working in the companies that InterTradeIreland is working with?

**Mr. Aidan Gough:** We are very focused on businesses. Their greatest exposure is in terms of access to research and development funding from Europe. As I stated, at the minute we are still seeing businesses trying to access these funds. If those funds are not there, they will not be able to access them.

**Senator Trevor Ó Clochartaigh:** Is there a danger that some of them would move across

the Border just so they could avail of that? Then InterTradeIreland would be left with fewer connections, North-South, that it can work with.

**Mr. Aidan Gough:** We are encouraging every business to start planning now and to take whatever action it requires to ensure that cross-Border trade continues to grow. It has been growing at more than 4% per annum for the past 20 years and bringing the benefits Mr. Hunter McGowan mentioned.

**Senator Trevor Ó Clochartaigh:** Another area that has been examined is all-island labelling. I know Michelle O'Neill was working on it with the Minister, Deputy Coveney, particularly around agricultural products, etc. Do the witnesses think Brexit will have an impact on the potential to do that? At the moment we are all subject to the same EU regulations as regards foodstuffs, the quality of food and what one can eat, etc. If, post-Brexit, Britain starts to change certain regulations around foodstuffs, does it make it much more difficult to have all-island labelling in any food area? Therefore, do we lose the unique selling point that we might have with an all-island labelling potential?

**Mr. Aidan Gough:** In our research into the impact on business, we have been surprised at the potential impact of non-tariff barriers on top of tariff barriers. In fact, the initial results would suggest that they could more than double the impact. At the minute, we are beginning with a level playing field because all of the regulation is coming from the European Union and Britain is part of it. If Britain decides to diverge in any way from the EU standards, that will have cost implications for any business that wants to export into Britain and *vice versa*.

**Chairman:** I wish to ask a question. I do not want to misquote Mr. McGowan and Mr. Gough in the future. A total of 98% of the businesses on the island of Ireland that InterTrade Ireland has surveyed have not made plans for how to deal with Brexit. Is that a fair comment?

**Mr. Thomas Hunter McGowan:** Yes.

**Mr. Aidan Gough:** Three quarterly surveys in a row came up with that figure.

**Chairman:** That is astounding. With regard to supply chains, much of the debate at this meeting has been symbolised by the fact that the likes of the milk industry has supply chains criss-crossing the Border. Has there been any study carried out to see how they break down on the basis of tariffs and non-tariff barriers?

**Mr. Aidan Gough:** Yes. We are looking at it as the next stage because supply chains are important. On paying cross-Border tariffs, it will all have to be subject to negotiations. However, a company might be able to decide when to pay tariffs. It might not have to pay them every time product crosses the Border. They might be paid on the final product. It is an issue at which we are thinking of looking as the next stage of the research. It is about mapping supply chains across the Border.

**Chairman:** Even non-tariff barriers would be problematic. For example, if Britain was to allow more GM crops into the agricultural scene and producers in the South of Ireland wanted to export non-GM milk, surely that would pull the supply chain asunder?

**Mr. Aidan Gough:** Yes. As I said, non-tariff barriers could have a very significant impact. The North and the South are more or less on a level playing field in terms of regulations. However, if Britain leaves the European Union and decides to come up with its own regulations in certain sectors, that will have an impact.

**Chairman:** For sure. On export pathways into the European Union, there is a big chunk of exports that travel through Britain to elsewhere in the Union. That is potentially going to become more complex owing to customs and excise regulations. Has there been any work done or developments in that regard?

**Mr. Aidan Gough:** The haulage associations have been co-operating and looking at it as a factor. A figure they have been using is that for every minute's delay there is a cost of about £3 or €3. I will find out the exact figure.

**Chairman:** Were they able to estimate the typical delays they could expect to see?

**Mr. Aidan Gough:** No.

**Mr. Thomas Hunter McGowan:** In terms of non-tariff barriers, we have talked about labelling, supply chains and so on. It would involve things like certificates of origin, shipping documentation and the customs documentation required, which are quite substantial. Effectively, even if there were no or very low tariffs, if all of these requirements were to be met, there could still be an impact which could be very significant for SMEs, in particular.

**Chairman:** Most of the work done on the TTIP and the CETA was designed to focus on non-tariff rather than tariff barriers. We are told billions of euro of extra trade would result from these agreements.

**Senator Trevor Ó Clochartaigh:** I have a question, although it may be one for the unions more than for InterTradeIreland. It is about the impact on the cost of labour. Has any research been carried out in that regard? There is a thought that it will be a race to the bottom if Britain moves away from the European Union and that the liberalisation of the markets will lead to a pushing down of the wages paid to workers, etc. Some say it would have a positive impact for some companies because their production costs would be lower, but I wonder if any research has been carried out in that regard.

**Mr. Aidan Gough:** Ulster University has just completed a piece of research in looking at the potential impact of Brexit on Border counties and regions. On labour costs, one of the most significant issues is the availability of migrant labour. The Ulster University research shows that 50% of the migrant labourers who come to Northern Ireland live and work in Border communities. I think 20% of the migrant labourers who come to the Republic of Ireland live and work in Border counties. There could be a significant impact.

**Chairman:** I thank Mr. McGowan and Mr. Gough for coming. It was really appreciated. I wish them great success in their work in the future. They are in a greater position to provide support. I have made the argument a number of times in their presence, although they obviously cannot take a policy view on it, that InterTradeIreland should have far more investment and far more staff and should be allowed to do far more work. We want to see far more of the performance indicators described. We wish Mr. McGowan and Mr. Gough good luck in that regard.

The joint committee adjourned at 5.20 p.m. until 2.15 p.m. on Wednesday, 24 May 2017.