Written Evidence submitted by Hospitality Ulster and Retail NI for the Northern Ireland Affairs Committee’s inquiry into Devolution and democracy in Northern Ireland – dealing with the deficit (DDD0033)

INTRODUCTION

We welcome the opportunity to submit our views to this timely enquiry.

Hospitality Ulster and Retail NI have formed a working partnership to promote and lobby on behalf of two of Northern Ireland’s largest sectors of industry.

Both our organisations represent two of Northern Ireland’s largest sectors and we have a shared aim of making Northern Ireland the very best place, within these islands, to locate and start a business and to shop and socialise.

We have a shared agenda of creating 21st Century town and city centres which are centres of Retail and Hospitality excellence.

It is beyond disappointing that no agreement has yet been found to restore devolution and that Northern Ireland, for a year now, has had to continue without a Government.

Our members deserve better than a ‘care and maintenance’ administration with important decisions on business rates, infrastructure, legislation and many other areas not currently being taken by Ministers.

Political instability is bad for business and our economy as a whole. Yet again, we repeat our call for the political parties to double their efforts to form an Executive and to deal with the huge challenges facing our economy.

Our preference will always be for devolved and accountable Ministers making the key policy decisions – if that is not possible, then we need a Plan B.
Glyn Roberts Retail NI CEO    Colin Neill Hospitality Ulster CEO

Retail NI has also published a comprehensive Programme for Government for 2017-2022, entitled Creating a Northern Ireland Economic Powerhouse. It can be downloaded here http://bit.ly/2kR85Y7

Hospitality Ulster has published a comprehensive range of policy papers and a strategic policy document; No Plan B. All of which can be downloaded here http://hospitalityulster.org/voice/Campaigns

At the time of writing we are in limbo between Devolution and Direct Rule. Our preference is always Devolution but we are setting out our policy priorities for those who will make the key decisions in 2018.

OUR SUBMISSION

1. Department of Finance Draft Budget Options Paper December 2017

We fully appreciate the difficult situation the Civil Service is in; with no Executive or Assembly to make the key budgetary decisions. However, we are completely opposed to several of the revenue-raising options put forward within this paper in relation to the Regional Rate, Small Business Rate Relief Scheme and Car Parking charges.

To even consider a substantial increase in Business Rates is a non-starter. 71% of our members had their rate bills increased after the last revaluation and to further increase that burden will result in some of our members closing their business.

What makes this even proposal even more unacceptable is that the Department of Finance also suggests ending the Small Business Rate Relief Scheme, which would be a ‘double whammy’ to our members and the wider small business sector.
Retail NI and Hospitality Ulster have tabled proposals to improve the existing Small Business Rates Scheme, which we would urge any incoming Finance Minister to urgently consider.

As if this was not bad enough, the paper also suggests a hike in on-street car parking charges and actually puts forward the idea of extending these to other parts of our towns and cities. This would drive shoppers away from our town centres towards the big, out-of-town, multi nationals with free car parking.

We are utterly opposed to these three revenue proposals and, given the economic impact they would have, amazed that they are even included as viable options.

2. City Deals for Belfast and Derry/Londonderry

Retail NI and Hospitality Ulster welcome the Chancellor’s Commitment to a City Deal for Belfast and the Secretary of State for Northern Ireland’s assurance that the Derry/Londonderry deal is also being considered.

While the focus is rightly on restoring devolution to Stormont, we shouldn’t forget our two major cities and their vital role as key economic drivers for Northern Ireland.

City Deals for our two main cities is an opportunity to develop longer-term spending and delivery plans which share local, regional and government resources, in an innovative way, to maximise economic and social impact. They would form a key part in ensuring the region develops economic resilience to face the current and future challenges and opportunities, including Brexit.

To secure both of these would be a game changer, not just for our two main cities, but also potentially for our wider NI economy and would act as a catalyst to supporting the social, cultural, economic and physical regeneration of the wider region.
We could also include, as part of a City Deal, new Enterprise Zones in Belfast and Derry City centres; similar to the very successful Cardiff Central model. Cardiff has undergone an impressive physical transformation and spectacular economic growth over the last 10 years; to become one of the fastest growing economies in the UK. Cardiff also has the highest growth in private sector employment over the last 10 years of all UK core cities.

Cardiff city Centre’s enterprise zone has also generated huge footfall for its retail and hospitality sectors and has had a very significant impact in reducing dereliction and shop vacancies. Why not include a similar enterprise zone in the new Sirocco redevelopment in Belfast?

We also support proposals for a Devolution deal for the eleven councils and for these councils to have greater powers over regeneration, car parking, infrastructure and skills and training.

3. Infrastructure Investment

Whether we have a Devolved or Direct Rule administration; investment in our infrastructure cannot wait if we are to realise the full potential of the Northern Ireland Economy.

While the York Street Interchange, A5, A6 and the new transport hubs in Belfast and Derry are all vital for the future of our local economy; we would also add to the list the regeneration of the infrastructure of our rural and market towns, particularly west of the Bann.

Retail NI has also long championed the need for a new high-speed rail service between Dublin and Belfast of around one hour twenty minutes. This is a big and bold ask and would require funding and co-ordination of governments in London, Dublin, Belfast and likely the European Union too.

We should not forget that 70% of Northern Ireland’s out of state tourists arrive via the Republic of Ireland and we miss out on a considerable number of high-end retail tourists who shop in Dublin and do not travel North. Having a fast and frequent rail service between Dublin and Belfast is a game-changer for
our whole economy in Northern Ireland; connecting the island’s two largest cities and benefiting every sector of industry.

As we face the uncharted territory of Brexit, and the prospect of some hardening of the border, this idea could address the challenge and ensure better connectivity between both parts of the island.

This might take ten years to do, but there is no reason a scoping study could not be immediately commissioned to determine the cost and timescale of such a project.

4. Reforming Business Rates

Business rates need radical reform and is the number issue facing our members.

71% of our members saw an increase in their rates bills following the last revaluation in 2015. This cannot be repeated in the 2020 revaluation and we would urge LPS to learn from their mistakes of 2015.

In 2015, Retail NI had major concerns with the process and transparency of the valuation of our many of our members’ stores, which has to be avoided in the 2020 Revaluation.

It is welcome that we now have greater transparency with the valuation process and we will be closely working with the LPS to monitor it as we approach 2020.

Both Retail NI and Hospitality Ulster have put forward a radical alternative to the current system of Small Business Rate Relief; which will be targeted to the independent retail and hospitality sectors.

The outgoing Finance Minister has adopted the majority of our proposals for a new-targeted Rate Relief scheme for Retail and Hospitality. We are encouraged that our main proposal of £25k NAV (Net Annual Value) and below for qualifying businesses was included.
This scheme of over £22million of Rate Relief is the highest amount ever and is around two and a half times the previous relief available. Over thirty business organisations and Chambers of Commerce supported this plan.

These proposals are not just supporting the growth in Retail and Hospitality, but also given our member’s commitment to sourcing local produce; they are a real boost for the local supply chain and for the agri-food sectors among others. In addition, we believe this plan is good for town and city centre regeneration and for growing our tourism potential.

Directly assisting our independent Retail and Hospitality sectors is in line with existing rate relief for Manufacturing and Agriculture. Not only will this Rate Relief scheme be beneficial for many existing independent Retail and Hospitality businesses; it will potentially assist new start businesses in our sectors with a substantial rate reduction and help to reduce their start-up costs. Businesses will have the confidence to reinvest the money that they will save on hiring new staff, further skills training and planning for the future.

In 2014, the Northern Ireland Centre for Economic Policy (NICEP) made a key recommendation that the Small Business Rate Relief scheme needed to be targeted and focus on areas that could readily promote economic growth.

5. Reforming Legislation

5.1. Modernisation of Liquor Licensing Legislation

A Bill to modernise liquor licensing legislation in Northern Ireland had almost finished its committee stage in the NI Assembly with cross party support for amendments to the initial Bill widely agreed. However, the Bill fell when the NI Assembly collapsed.

The review of the existing Liquor Licensing Legislation had been ongoing for a number of years and had undergone extensive public consultation; with a Bill
to amend the legislation introduced into the NI Assembly by the Minister for the Department of Social Development (now Department of Communities).

However, the Bill fell when the NI Assembly collapsed, leaving Northern Ireland with a competitive disadvantage in comparison to our nearest competitor; the Republic of Ireland. In addition, the Republic of Ireland has further plans to modernise its licensing legislation, which is already more competitive than in Northern Ireland.

Hospitality Ulster does not propose or support wholesale deregulation of licensing legislation. We recognise alcohol is a controlled substance and welcome the fact that the sale of alcohol is regulated by the courts and anyone breaching the legislation will face the full weight of the law.

However, there is a clear need for Northern Ireland to modernise its liquor licensing legislation to reflect the needs of a modern market and underpin ambitious plans to grow the Tourism and Hospitality sectors. Hospitality Ulster supports measures which will allow our licensed premises to provide customers a quality experience an alternative to home drinking and a quality visitor experience for tourists. It is widely accepted that the current Liquor Licensing legislation in Northern Ireland is outdated and having a negative impact on the Hospitality and Tourism industry.

In a recent industry survey, we estimate the trading losses over the Easter powered alone amount to c£16 million.

5.2. Modernisation Entertainment Licensing Legislation

A Ministerial group was established to undertake a review of existing entertainment licensing legislation in Northern Ireland. The group reported with a range of recommendations. However, due to a lack of cooperation between the political parties and the collapse of the NI Assembly the process stalled.
A ‘Review Group’, consisting of public and private sector stakeholders, was established by the Minister responsible for legislation regulating the licensing of entertainment venues. This group undertook an extensive review of the current entertainment licensing in Northern Ireland and agreed a comprehensive set of reforms to support both better regulation and the economy.

The recommendations included in the report were intended to form the basis for a public consultation on reforming the existing legislation. However, due to the lack of cooperation between political parties and the collapse of the NI Assembly; the process stalled.

The issue of Entertainment Licensing and the need for modernisation of the current legislation is a high priority for the Hospitality and Tourism Industry. A significant number of Hospitality and Tourism businesses rely on entertainment as a key element of their wider service offering.

Once again the emphasis has been on modernisation, not deregulation, including recommending additional regulations and increased powers of enforcement against those operators who show disregard to the existing legislative process.

5.3. The Review of Red Tape

A review of ‘Red Tape’ in the hospitality Sector was undertaken under the joint NI Executive/UK Government initiative – ‘Building a Prosperous and United Community’. However due to the lack of cooperation between the political parties and the collapse of the NI Assembly the process stalled.

The Review of Business Red Tape in the Hospitality Sector, an action included in the joint NI Executive/UK Government initiative – ‘Building a Prosperous and United Community’ – was welcomed as a pro-active stance taken by the DETI (now the Department for the Economy),
As a ‘Pilot Review’ this process was designed to both examine where regulation and legislation was unnecessarily having a negative impact on the Hospitality sector, whilst also testing a model for future reviews of other sectors.

The recommendations included in the report were intended to form the basis for further work by individual Government departments on reforming the existing legislation.

However, due to the lack of cooperation between parties and the collapse of the NI Assembly the process stalled.

Throughout the review process, discussions with businesses, regulators and departments showed an openness to listen and an appetite to improve the regulatory regime to be more efficient effective and deliver something for businesses, by reducing the burden and impact they experience.

The pilot review benefited from engagement directly with businesses and afforded the opportunity to have roundtable discussions with regulators, departments and delivery organisations.

However the lack of any outcomes from the process can only damage any future engagement with the business sector, including the negative economic impact that continues due to poor, and often ineffective, legislation.

5.4. Minimum Unit Price for Alcohol (MUP)

Independent research into the need and impact of introducing a Minimum Unit Price for Alcohol was commissioned by the NI Assembly and the Irish Government. The Irish Government has indicated that it would intend introducing MUP but it is unlikely to proceed until MUP is introduced in Northern Ireland. Whilst no commitment was made by the NI Assembly, any progress is unlikely until devolved Government is restored.

Hospitality Ulster has consistently campaigned for the introduction of a Minimum Unit Pricing (MUP) for alcohol. The seemingly ever increasing
availability of cheap alcohol – most commonly to be purchased through the large supermarket chains – has a serious negative impact on the health of large consumers, whilst also contributing to high levels of anti-social behaviour.

There are many instances where large retailers have used alcohol effectively as a marketing tool, by selling it as a loss leader; to the point where it is often noted that the alcohol is actually frequently cheaper than the bottled water. This cannot be right and there is a need for decisive action to tackle this.

From a health perspective, it is estimated that the misuse of alcohol costs the Northern Ireland Health Service around £900million per year and whilst such high spending should always be tackled, it is given greater focus in the current economic climate where health spending is under considerable pressure.

From an economic perspective, many may feel the Hospitality Industry’s support for MUP is purely to reduce competition from the large supermarkets and increase customer spend in pubs, restaurants and hotels (the on-trade). However, with such a large price differential due to much higher operating costs, it is very unlikely that MUP will result in any increase in sales by the on-trade. In fact, with higher off-sales prices it is possible that the on-trade will see a slight decrease in trade as consumers spend more on drinking at home.

6. Strategies for Growth

6.1. Skills Strategy

Following consultation with the industry, a comprehensive draft Skills Strategy has been developed by Tourism Northern Ireland and presented to the Department of the Economy for approval.

However, this has not been progressed due to the lack of Ministerial approval.

The lack of a Government skills strategy for the Hospitality and Tourism industry is already beginning to impact the growth of our sector, with some businesses now putting expansion on hold and others struggling to provide
the appropriate levels of service due to the lack of an available skilled workforce.

Access to a skilled workforce is critical for the future growth of our Hospitality and Tourism Industry.

Our ability to compete and attract visitors to Northern Ireland depends on a number of factors but a key element is to provide a world class customer experience.

Independent reports predicting our hospitality industry will need an additional 2,000 chefs and will have 30,000 vacancies to fill by 2024.

6.2. Tourism Strategy

Following consultation with the industry, a comprehensive draft Tourism Strategy has been developed by Tourism Northern Ireland and presented to the Department of the Economy for approval.

However, the draft strategy has not been adopted due to the lack of Ministerial approval.

The responsibility for Tourism rests with the Department for Economy. However, with much of the regulation and funding for the industry spread across a number of departments, the lack of a Tourism Strategy means individual departments that have different priorities, and often a lack of knowledge of the challenges, and indeed opportunities, in Tourism. These departments do not recognise the need to support the industry, through cross departmental collaboration and joint funding; which results in lost opportunities and uncoordinated spending which is restricting the growth of Tourism, especially outside Belfast.

With targets to grow Tourism income to £1bn annually and Tourism jobs to 50,000, by 2020, the Northern Ireland Assembly has identified Tourism as a key economic driver for the Northern Ireland economy. However, with reduced funding for Tourism Northern Ireland, major events, skills and industry
development, the potential for Tourism growth beyond these targets could be severely hampered. If we are to achieve the full potential of Tourism, the Northern Ireland Assembly must place Hospitality and Tourism at the heart of Governments economic strategy and provide the required levels of support.

If you compare Northern Ireland to the Republic of Ireland, where tourism is nine times higher than here, the potential increase in tourism spend could be transformative for the entire Northern Ireland economy.

7. Tourism VAT
As part of the 2017 Westminster budget, the Challenger announced that research into the reduction of Tourism VAT in Northern Ireland would be completed before the next budget. However, if the result of this research finds in favour of a reduced Tourism VAT rate in Northern Ireland, it is highly likely the Treasury would propose devolving the powers to the NI Assembly.

Therefore the lack of a devolved Government for a protracted period of time would result in its implementation being stalled.

Northern Ireland faces unique challenges in relation to Tourism VAT

The Republic of Ireland, which is our closest competitor and second largest Tourism market, has a Tourism VAT rate of 9%.

This places Northern Ireland in a unique and uncompetitive position.

It has also created a situation where visitors can save money by staying in the Republic of Ireland and only visit Northern Ireland for day trips.

If the Hospitality and Tourism industry is to reach its full potential, we need a tax regime that encourages investment in the Hospitality & Tourism industry to ensure a great customer experience. The UK currently has the second highest Tourism VAT rate and the second highest excise levels in the EU and it is vital this burden is reduced to allow our sector to compete following Brexit.
8. Air Passenger Duty
As part of the 2017 Westminster budget, the Challenger announced that research into the abolition of Air Passenger Duty in Northern Ireland would be completed before the next budget. However, if the result of this research finds in favour of abolishing Air Passenger Duty in Northern Ireland, it is highly likely the Treasury would propose devolving the powers to the NI Assembly.

Therefore the lack of a devolved Government for a protracted period of time would result in its implementation being stalled.

As an island destination, Northern Ireland airports are at a disadvantage with airports in the Republic of Ireland due to Air Passenger Duty. Intervention to ensure Northern Ireland’s airports can compete more effectively and assistance to secure additional direct air routes into Northern Ireland is a priority.

With the majority of international visitors to Northern Ireland traveling either via direct air routes into the Republic of Ireland, or indirect air routes from Great Britain; air access is critical to the growth of international Tourism, particularly post Brexit.

9. Brexit
The Retail, Hospitality & Tourism Industry in Northern Ireland has much in common with the other jurisdictions of the United Kingdom (England, Scotland & Wales) in relation to Brexit and the resulting challenges and opportunities that could evolve out of the complex negotiations ahead.

However, the unique position of Northern Ireland is that it is the only jurisdiction with a land border with an EU member state. In addition, the added complexity of Northern Ireland’s interlinked Tourism and wider economy with GB and ROI places a much greater emphasis on the need
to ensure any and all outcomes from Brexit do not place Northern Ireland, and the Retail, Hospitality and Tourism industry, in particular, at a disadvantage in the post-Brexit period. It is therefore vital that Northern Ireland is given the means to have meaningful input into the Brexit process.

15 January 2018