

Draft Belfast City Council Response to Department for Business Innovation & Skills consultation on revision of Industrial development Act 1982

Belfast City Council welcomes the opportunity to respond to the above consultation.

In response to the questions raised in the consultation document, the responses from Belfast City Council are attached for your consideration.

Question 1: Should Northern Ireland's automatic inclusion as an assisted area in the UK be removed?
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Northern Ireland's automatic inclusion as an assisted area in 1982 was granted due to the unique social and economic circumstances of the time. It is recognised that Northern Ireland has moved on politically, socially and economically since that time, and it can be argued that the decision to grant automatic inclusion as an assisted area status has contributed to that progress through encouraging capital and FDI investment. Regional Aid is the dominant mechanism for providing financial assistance with 72% of assistance to indigenous and FDI businesses in Northern Ireland being delivered through this mechanism¹.

It is also recognised that by using the current, rather crude statistical data analysis of GVA and GDP, it may appear that Northern Ireland and Belfast in particular are in a position to unfairly benefit from assisted area status compared to other parts of the UK. Belfast City Council recognises the impact of the current economic conditions throughout the UK and in particular in areas of greatest existing relative deprivation.

However from a Belfast perspective, if the proposal was accepted the consequences for Belfast and the Northern Ireland economy as a whole could be potentially extremely detrimental.

If the proposal was to be implemented in its current form, it is likely that using current guidelines on assisted area population sizes and levels of relative deprivation, the Belfast (NUTS level 3) area would experience a loss of assisted area status. The removal of the status, using current guidelines, would be made through a process that:

- (i) Does not recognise the importance of Belfast as an economic generator for the whole of Northern Ireland. The city is responsible for over 50% of GVA in actual value across the region².
- (ii) Does not recognise that the current use of GVA/GDP statistics alone do take account of the importance of the Belfast City Council area as an employment location for the rest of the region. For example:
 - Belfast currently provides employment for 108,000 in commuters from neighbouring districts, over half of all those employed in the city³.
 - 30% of all service sector jobs are based in the city;
 - 50% of high tech manufacturing jobs and 60% of computer related jobs for the region are based in Belfast⁴.

¹DETI Briefing Paper for NI Assembly,(October 2010)

² Office for National Statistic (October 2011) Nuts3 Level 1 data.

³Oxford Economics (2009) Belfast Flows of People Skills Spending and Investment;

⁴ (Oxford Economics (2010), Research into the Competitiveness of Belfast)

- (iii) Does not take account of a wider range of measures affecting city competitiveness. For example, using a range of statistical measures, Belfast was ranked 45 out of 46 European cities in terms of economic diversity. This included measuring the extent to which a few firms dominate the economy, distribution of employment across sectors and comparing the distribution of employment across sectors and comparing the distribution of employment against a diversified economy. As an illustration of this, 38.5% of jobs in the city are in the public sector – the second highest in a survey of 46 European cities.

The city is also the lowest ranked UK city for new business registrations and has one of the highest levels of economically inactive citizens⁵;

- (iv) The 2010 research showed that in the period 2008-2010 employment in Belfast fell by 3.1% and the number of unemployed people doubled. The rate of increase in unemployment in Northern Ireland and Belfast 2008-2010 are the highest in the UK with 14 of the worst performing areas being in Northern Ireland and Belfast ranked overall 5th in terms of rate of increase in unemployment⁶.

If the proposal is implemented as it stands Belfast City Council considers that:

- (i) It represents poor policy coordination in that it is being done in advance of the outcomes of the HM Treasury consultation into the “Rebalancing of the Economy” and the Northern Ireland Executive’s proposals to rebuild and rebalance the Northern Ireland economy. As the regional capital and economic driver, Belfast has a significant role to play in achieving this objective, and to jeopardise its options for investment will have an impact that stretches well beyond the local area.
- (ii) There is a very strong possibility that if proposed guidelines are implemented the resultant fragmentation of assisted area status would make Belfast a less attractive option for investors as the ability to financially support investment would be more complicated or non-existent;
- (iii) There is also a strong possibility that any subsequent division of the city into areas with those without assisted area status could contravene Section 75 legislation relating to equality.

The proposal to remove Northern Ireland’s automatic inclusion as assisted area status could undermine some of the forces that have facilitated the political, social and economic momentum that was gathering before the current economic downturn.

Belfast City Council acknowledges the difficulties that other cities and regions are enduring during the current economic downturn. However whilst progress has been made over the last decade and more, Belfast as a city and as the economic generator for the rest of Northern Ireland cannot afford to lose access to any assistance that it can offer businesses to address the ongoing and long-term challenge of creating a more productive, dynamic and competitive local economy..

⁵ Oxford Economics (2010), Research into the Competitiveness of Belfast

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Question 2. Should the level of aid per project be increased from current level £10m to either £27m (adjusted for inflation) or £50m (adjusted to reflect increase in GDP) or left as it is?

The current cap was established in 1982 and now is the opportunity to revise aid levels to reflect the modern economic demands. Therefore the proposal to raise level of assistance to £50m is supported as being feasible and realistic within the realms of potential investment support.

Question 3. Should the IDA be updated to include telecommunications and broadband in list of “basic services”?

The industrial landscape has been transformed in the period since 1982. Telecommunications and broadband are now essential elements of any infrastructure support that seeks to create a dynamic, competitive economy. As such, we support this proposal.

Question 4. Should IDA be amended to extend the Secretary of State’s powers relating to the acquisition and development of land acquired other than under the IDA or Local Employment Act 1972.

The amendment will enable the Government to acquire, manage and develop land outside assisted areas and is currently owned by other public bodies such as Regional Development Agencies. In principle the proposal is supported. However it is unclear whether this policy is relevant in the Northern Ireland context.