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Dear Brian

Manufacturing NI welcome the opportunity to respond to the consultation on the "Review of Public Administration – Managing Convergence of District Rates".

The existence of this scheme is welcomed. It recognises that the redrawing of the boundaries for our local Councils will create difficulties for some of our members, other businesses and homeowners simply because of geography. We share the Minister's expectation (as outlined in the Foreword) that the "local government reorganisation will lead to economies of scale and better ways to deliver local services which will keep District Rates down in the longer term". With this in mind, we feel that it is important to do 3 things:

1. Ensure that there is no big surprises for vulnerable business and domestic rate payers in the immediate aftermath of reorganisation
2. Allow sufficient time for efficiencies to be discovered and delivered by the new Councils and within the Regional Rate.
3. Ensure that any relief is weighted to help the most vulnerable ratepayers from this reorganisation.

We do not have the resources to fully model the impact of the reorganisation on each of our members. However, looking at the table on page 4 of the consultation document it is clear that there are likely to be a number of 'winners' but some very likely to be big 'losers' in some areas – some facing a potential 18%+ rise.

Far from being a twilight part of our economy, manufacturing directly employs almost eighty thousand people, supporting production and employment in a wider supply chain and creating jobs and strong communities in every constituency across Northern Ireland. You are just as likely to see world-beaters in rural communities as you are in technology and industry parks and that makes manufacturing even more important.

A basic analysis on the figure in the consultation, shows that it is those businesses who are most likely to be severely impacted. It is tempting to say that it would be fairer to simply apply any convergence scheme equally across NI. However, we fear that the differences in the potential scale of change in rural areas (where manufacturers are critical to local communities and local economies) will have a disproportionally negative impact on manufacturing businesses.

Whilst there are encouraging signs of economic recovery, prices and profitability remain constrained leading to manufacturers continuing to need to minimise costs. This is further challenged by our position of having the 2nd highest energy prices in Europe and some 20-25% more expensive than our two most important markets in GB and the Republic of Ireland. Whilst businesses can make amendment and control some costs (materials, staffing levels, etc.) they have little or no ability to control of fixed costs like energy or rates.

Our members have endured the steady creep of the 'rate in the pound' in many Council areas over the last number of years. This is difficult for businesses to accept as they received no services in return for their contributions.

Manufacturers require a lot of space and capital intensive investments in equipment. A return on investment is usually longer than most other parts of the economy. This then requires greater levels of assurance on costs in order to have the confidence to make such large investments. Whilst not directly relating to this convergence relief, we are aware of some manufacturers who are waiting on making investments (and employing more people) until there is clarity and certainty on both the new rates levels and confirmation of a continuation of the industrial de-rating scheme.

We all anticipate that the reorganisation of Council's will see efficiencies in the administration of public services – indeed that was part of the 'sell' to ratepayers. However, given the scale of these changes, it is our view that we will not likely see these changes for some time – perhaps as much as a full Council mandate.

Given all of the above, it is our view that priority in the convergence scheme should be directed at those who face the most significant increases which will undermine the viability of these businesses or push back investment plans. Additionally, as it is unlikely that the new Council's will immediately demonstrate efficiencies, we believe that a 2 tiered relief extending to a 4 year period should be considered for those most severely impacted.

Finally, we would encourage the Minister, Executive colleagues and respective Departments to insist that the new Councils deliver the anticipated efficiencies as soon as possible.

Yours sincerely,

Stephen Kelly
Chief Executive