

Your Ref:
Our Ref: CX/27177



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Direct Dial: 018 9041 6993
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Dear Ms. Rose,

Thank you for your consultation on the Independent Review of Economic Policy (DETI and Invest NI) dated 5 October 2009. I apologise for the delay in replying.

I am replying on behalf of the Department. Our comments are as follows:

While accepting DETI's direction to consider Tourism as part of Invest NI's engagement in this sector, the report stresses, and the Department accepts, that increased prosperity for N Ireland, particularly its rural areas, could be significantly addressed by building a more vibrant tourism sector. The report anticipates that this will be recognized and outlined in the forthcoming tourism strategy for N Ireland. While this may have some implications for Planning Service in relation to the content of Planning Policy Statement (PPS) 21, which is at an advanced stage of preparation, in so far as it relates to tourism and agri-tourism schemes in association with farm diversification, it is likely to have greater implications for the forthcoming PPS on Tourism currently under preparation by the Department's Planning and Environmental Policy Group (PEPG). It is accepted that there will be a need for further timely liaison between Planning Service, PEPG and the NITB, in advance of the forthcoming tourism strategy for N Ireland, in order to ensure PPSs are able to facilitate your proposals.

The report indicates that Invest NI's current programme of land acquisition appears to be largely aimed at the provision of industrial land but highlights that it is not obvious to the Review Panel why this particular land market should be uniquely subject to market failures and hence require intervention from Invest NI. Possibilities suggested in the report are that the planning system fails to zone enough land for industrial expansion or, alternatively, that the expectation of Invest NI intervention deters private developers from developing land for industrial development. As a consequence the report recommends that a study of industrial land provision should be commissioned to determine why there is a perceived need for Invest NI to purchase large amounts of land over the next few years. Planning Service would draw attention to preliminary work which it has already undertaken in relation to the monitoring of industrial and business land in development plans, which is to be taken forward during 2010/11 in the run up to the transfer of planning functions to the new local councils under RPA. It would also draw attention to the Business Land Need Study, commissioned by the Department for Regional Development (DRD) last year, which



pointed to a major excess of supply of employment land across most areas of NI, considering demand up to 2028 (largely due to the forecast slowing down of economic growth along with the decline of manufacturing and the increase in business services). It should be noted, however, that the latter study did not have up to date information on the availability of land and simply relied on zonings within area plans, nor did it assess the quality or deliverability of individual sites. In contrast the experience of Planning Service and Invest NI at a local level has not always been one of oversupply of industrial land. The Department would accept that the conflicting findings between a strategic level study, commissioned by DRD to feed into the review of the Regional Development Strategy (RDS) and experience on the ground, as well as the Panel's recommendation for another "fundamental review of industrial land provision", highlights the need for better coordination between Invest NI, DETI, DRD and Planning Service and the need for more robust survey data.

The Department accepts the central thrust of the report which is the need to prioritise Innovation and R&D investments more aggressively, both for existing businesses and as a means of attracting potential new investors to Northern Ireland. This is seen in the report as the most important long term driver of higher growth and productivity. The report stresses the importance of encouraging Innovation via imitations, adaptations and improvements to existing products and processes as well as more traditional forms of R&D.

The Department also accepts the acknowledgement in the report that the proposed emphasis on Innovation and R&D represent riskier investments, and that there is a need for the right balance between accountability, risk taking and speed in decision making. In addition Planning Service accepts, as stated in the report that alongside other drivers, the planning system is a driver of regional economic growth.

A key finding of the Panel, that competitiveness varies between places in a region, is also accepted with cities often offering higher growth and productivity and that external investors will gravitate toward urban areas within which labour supply is more abundant.

The Review Panel indicates in the report that Government policy should not seek to unduly influence the location of Foreign Direct Investment within NI. In relation to this the Department would point out that the spatial variation and distribution of future economic growth at a strategic level within NI is a matter for the RDS, which provides the overarching framework for planning policy and development plans. While the Report makes reference to the current review of the RDS, the Panel appears less certain whether this will fully address existing sub-regional issues within NI. This does illustrate the need for a greater co-ordination of policy between government agencies in relation to these issues.

The report makes a number of planning related recommendations in relation to processing time targets, legislative programme for reform, applications for regionally significant developments and preliminary application discussions (PADS). There does appear to be some contradiction in the Report when it highlights a lack of any dedicated economic resource in Planning Service's Strategic Projects Unit (SPU), yet goes on to acknowledge that SPU does have ready access to economic advice when required.

The conclusion reached in the report, in relation to the time taken to process applications, is clearly critical of Planning Service's overall performance compared with that in GB. The report acknowledges acceptance that the data on performance across NI, England and Scotland is not directly comparable. It is evident that further work on the standardization of assessment across different jurisdictions would have to be undertaken to allow proper comparisons between different administrations. Planning Service is committed to performance improvement across all aspects of the planning system and in relation to this would draw attention to the recent consultation paper on planning reform, including the devolution of most planning functions to Local Government, and to its commitment to the delivery of its legislative as well as its short to medium term programme for reform which is delivering improved processing times.

It is considered that the geographical source of an investment is not an appropriate criteria for the classification of development projects as strategic in nature and that any such classification should be based on the overall scale / economic importance of a project. It is, therefore, suggested that the approach currently being followed by Planning Service reform team, in seeking to define and provide thresholds for regionally significant projects, would be the most appropriate approach.

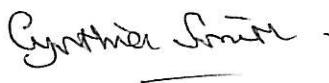
The report's recommendation that the preliminary application discussion (PADS) process should be the subject of performance monitoring is accepted.

The Department notes the report's recommendation that the third ISNI plan takes a much greater economic focus by committing more investment into infrastructure projects that will maximize Northern Ireland's future economic performance.

The Department also notes that the Panel has expressed its wish to see the linkage between the planning system and the economy strengthened and that the report welcomed the publication earlier this year of the two Ministerial Statements relating to the economic benefits of development proposals. Currently both of these Ministerial Statements are the subject of judicial challenges, the outcomes of which are still awaited.

I hope this reply is helpful. If you would like to discuss I would be happy to facilitate a meeting.

Yours sincerely



CYNTHIA SMITH
Chief Executive

hcc: Leo O'Reilly
Ian Maye
Maggie Smith
Tom Clarke
Anne Garvey