



Protocol on Ireland/Northern Ireland Sub-Committee

Corrected oral evidence: The Windsor Framework

Wednesday 26 April 2023

3.10 pm

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Members present: Lord Jay of Ewelme (The Chair); Lord Dodds of Duncairn; Lord Empey; Lord Godson; Lord Hain; Lord Hannan of Kingsclere; Baroness O'Loan; Baroness Ritchie of Downpatrick; Lord Thomas of Gresford.

Evidence Session No. 4

Heard in Public

Questions 35 - 46

I: Peter Summerton, Managing Director, McCulla Ireland; Roger Pollen, Head of FSB Northern Ireland, Federation of Small Businesses; Sarah Hards, Sales Director, AM Logistics .

Examination of witnesses

Peter Summerton, Roger Pollen and Sarah Hards.

Q35 **The Chair:** Good afternoon and welcome to this public meeting of the Sub-Committee on the Protocol on Ireland/Northern Ireland. Today, we are holding the fourth evidence session of the sub-committee's inquiry into the Windsor Framework. It will continue taking oral and written evidence over the coming weeks to inform the detailed report on the framework, which we aim to publish ahead of the Summer Recess in July.

We are joined by three business representatives, representing in particular the small and medium-size enterprise sector, each of whom we have met before. Sarah Hards, sales director of AM logistics, is joining us here in person, and both Roger Pollen, head of the Federation of Small Businesses Northern Ireland, and Peter Summerton, managing director of McCulla Ireland, are joining us remotely. You are all extremely welcome. We are very glad indeed that you have been able to join us again. We much look forward to your evidence.

We aim to finish before 5 pm at the very latest. It is possible that a vote will be called from about 4.30 pm. We will decide how to handle that when the moment arises.

Please introduce yourselves briefly the first time you speak. Today's meeting is being broadcast, and a transcript will be sent to each of you at the end of the session so that you can check that we have accurately recorded your remarks.

May I refer to the list of Members' interests, as published on the sub-committee's website?

Two members of the sub-committee, Lords Hain and Thomas, who are otherwise engaged at the moment, will join us a bit into the session.

May I ask the first question? What is your overall assessment of the Windsor Framework, and how far do you think it goes to resolve the problems that have arisen with the protocol? Does it leave any issues unresolved?

Sarah Hards: Thank you very much for having me here today. It is a pleasure to be in the House of Lords. I work for AM Logistics, a transport company that deals with retail logistics and groupage, so we are part of a pallet network.

We have experienced two sides of the Windsor Framework in bringing in goods from GB. I believe that for our retailers this is a major improvement. The reduction in paperwork is substantial. The fact that no more veterinary certificates and associated documents are required is really beneficial. It will reduce cost and the time it takes to bring in these goods. We can see supply chains returning to normal, so on that side of things it has been really good. We have spoken to our customers, who are really pleased. Even though they have set themselves up to be able to work normally now, it is a good, positive step forward.

On the other side, groupage brings in all different types of goods from many different types of businesses, from fairly large manufacturers in GB to very small cottage industries. There are so many different types of products coming in. Groupage was forgotten about in the first NI protocol and really has not been remembered for this one. There are a lot of grey areas when it comes to groupage traffic coming in. We need more clarity on the new trusted trader service. More details are required there; more details are required on the commercial transactions. Where does this end? When is something at risk or not at risk in moving from GB to NI and ROI? A lot of detail is required.

I can go into that further, but it is broadly great for retailers but not so great for those other types of businesses bringing in goods.

The Chair: That is a very helpful start. I am sure we will come back to some of your introductory points in detailed questions.

Peter Summerton: I am managing director of McCulla Ireland, a haulage cold storage and customs brokerage with sites in Lisburn, Belfast, and Dublin on the island of Ireland. That puts us quite at the epicentre of all that has happened with the UK's withdrawal from the EU.

One of the key things that we need to do with the Windsor Framework is examine it in the context of the UK border target operating model, because it is only within the greater UK controls that you can see the diversionary pressures that the Windsor Framework will put on supply chains. We can go into that in greater depth later.

I agree with Sarah's comment on groupage. It has been completely forgotten about both in the Northern Ireland protocol and in the revisions that have come through under the Windsor Framework, but I disagree with her commentary on how the framework will impact the supply chain in comparison with the protocol as it was implemented.

As a brief introduction, I will take it into two flows. First, the red lane is now full EU SPS and customs controls for goods entering Northern Ireland. Even if those goods remain in Northern Ireland or are returned to the UK, if they do not have a fixed end retail point to an end consumer in Northern Ireland, they do not qualify as green lane-applicable.

If we compare the green lane with the protocol as implemented, which was the STAMNI scheme, we see that it is as burdensome, if not more so, than how the previous protocol was implemented. Let us take some basic examples from a child's lunch box. Yoghurts, cheese, packets of ham and pork pies have to carry "Not for EU labels". All these things are mechanically produced in factories on automated lines. The burdens that that labelling will put on retailers, especially on those fresh goods, could see diversions from the green lane to the red lane, quite simply because certifying the goods and moving them in bulk might be a lot less hassle than labelling everything for what is 2% of the UK market.

Therefore, to summarise, we see the non-retail flow as no real improvement, simply because applying third-country rules to goods moving between GB and Northern Ireland and full EU customs and SPS controls is as tough as it can get. We do that every day into Dublin, so we know what the red lane looks like; we work it every day into Dublin.

With the misnomered green lane there is a very strict regime of being a trusted trader, profiling your work, providing customs declarations, which are simplified, providing an SPS declaration, using a trusted haulier and having your goods labelled "Not for EU", all by 2025, but by October of this year dairy, meat products—hams and things like that—especially frozen goods, are coming across with 100% documentary checks and 10% identity checks at Belfast BCPs and have to be channelled all the way to a retail point of sale where the retailer has to break the seal, photograph the seal and confirm that the product actually made it to the shop, only to find that 50% of the footfall of most of the shops is from the Republic of Ireland anyway. The goods end up in Ireland, anyway. That seems to be a lot of cost for a very low-risk supply chain and it is not really of benefit.

The Chair: Thank you for that. I think some of the points you made about the relationship between the red and green channels have been raised with us in the past and we will want to come back to that as the evidence session progresses.

Roger Pollen: I am head of the Federation of Small Businesses in Northern Ireland.

To put it in context, FSB is the largest business organisation in Northern Ireland and, therefore, it has a very broad membership. We do not have the same tight focus as some of the trade bodies, and that brings with it challenges to understand how different bits of legislation and regulation will impact.

Last year, I shared with the sub-committee that we had mapped our membership and found that it fell into five cohorts. All our members were in one or more of those cohorts. Those were quickly summarised as ones for whom the protocol was working well; ones who were largely unaffected; ones who were largely unaware of how it is impacting them because somebody in the middle was taking the pain and doing the processing; ones protected by the grace periods; and ones who were badly impacted. That was the summary of how the protocol was affecting our broad membership.

When we looked at the Windsor Framework we wanted to see whether it addressed those issues, particularly the fourth and fifth cohorts. Our response to the Windsor Framework fell into four parts. The first was to welcome the efforts that the UK Government and EU had made to understand the problems facing industry.

The second was the fact that we called for joint solutions all the way through, as they would be more robust, so we warmly welcomed the

efforts to bring forward the Windsor Framework as a set of proposed joint solutions to the problems that had been identified.

The third was to welcome the Prime Minister's huge positivity and ambition for Northern Ireland that he set out when launching the Windsor Framework, but the fourth point was to say that we needed to see the detail. Therefore, while recognising all the potential being sketched out, we need to see the detail.

We were at the launch of the Windsor Framework in the Coca-Cola factory and immediately recognised that potential, and came out positively, subject to seeing the detail.

I suppose the point is that business spent two years assessing the protocol, identifying where it was not working and calling for the two sides to involve business in future solutions. I think we are at a slightly surprising point now where a framework has been produced and put in place and we are all looking to see the detail, but in looking to see it that is the opportunity for business to be involved in the way we had called for previously. We are now being involved and are able to input the design and application of the operationalisation of the Windsor Framework. It would be churlish to condemn the Government for not having made enough detail available yet, when we have asked them in the past to pause and develop the detail alongside industry.

Overarching all that, the key takeaway for us is that, as that detail evolves, we want to see facilitation over gold-plating. We want to make sure that meeting the commitments under the framework facilitates trade, makes things workable and avoids some of the big issues that Peter and Sarah both alluded to—and that it is not a gold-plating process; it is a facilitation process.

The Chair: Thank you very much for that. With the help of all of you, I hope we will be able to get more of a handle on some of the details that we and all of you will need as we try to flesh out the Windsor Framework. That was a very good set of initial comments.

Q36 **Baroness Ritchie of Downpatrick:** Sarah, I noticed that in your submission to us, perhaps because you were not going down the political route, you did not particularly answer this; maybe you have had time to reflect on it. What is your assessment of the proposals to address the democratic deficit in the protocol, including the Stormont brake and the Commission's proposals for enhanced engagement with Northern Ireland stakeholders, bearing in mind that the logistics industry is one of those stakeholders?

Sarah Hards: Can I focus on engagement? That is key. Roger has alluded to it and to giving feedback from our experience, even using us as a test case to see how this would work in real life, rather than telling us the rules at the eleventh hour and having very little time to prepare. Engagement is key and needs to be meaningful so that we are heard and these ideas can be implemented.

I hope the Stormont brake will be a tool used only when required and will not hold the Government and politics to ransom, but from my reading of it at least 30 MPs or MLAs from two separate parties have to be involved in that. I cannot see us or them stopping work every few weeks; we have to get back to work.

Baroness Ritchie of Downpatrick: What form do you think that engagement should take?

Sarah Hards: It should be something where perhaps different working groups meet people like Peter and me from different parts of the logistics industry—from the customs industry and manufacturing—to take our ideas on board and possibly implement them within this new framework, because the devil is in the detail and the detail is not there. I think the Government are willing to hear from us to get feedback on that.

Baroness Ritchie of Downpatrick: Peter, will you focus on how that level of engagement would assist with solutions?

Peter Summerton: One of the key things for me is that we are a logistics business. That is a science; we are not in the art of politics. Based in the Republic of Ireland and Northern Ireland, we like to try to steer well clear of it.

I see significant challenges ahead. I say that because of the release of the UK border target operating model document. Paragraph 13 says: "Northern Ireland businesses and citizens will continue to be able to purchase goods from the European Union with no new barriers. None of the additional checks or controls set out in this border target operating model will apply to imports into Northern Ireland from the EU, providing Northern Ireland traders with full access to the EU market".

At the end of the document it demonstrates border control posts, and proposed border control posts. Those border control posts are in Cairnryan—obviously, Belfast, Larne and Warrenpoint are already in the Windsor Framework.

We are looking at quite a complex situation for Northern Ireland to move forward. As the Windsor Framework promises unfettered access to the GB markets, how will that be controlled for Northern Ireland access to GB markets whenever there is a free flow of EU goods through Northern Ireland? That is demonstrated by what has been called the back door. That has been very clearly spoken about by government agencies. While the UK seeks for export purposes and for food controls to put a fence around GB, that fence is wide open between NI and GB; it is also wide open between the greater EU and NI.

We really need to see what the qualification is for an NI-qualifying good so that we know exactly what we have here, because the food industry in Northern Ireland, which we are a haulier for, feeds 10 million people, 5 million of whom are in Britain. It involves 113,000 jobs. It represents one

fifth of our private sector. It is vital that we remain a very full part of our largest market.

Stormont brakes and things like that are overridden by the fact that Northern Ireland is sitting outside the UK border operating model. That will bring problems; it cannot not bring problems. If I bring in product from the greater EU to Ireland and move it from, say, Cork through my Dublin depot on the Dublin-Holyhead route, it will face UK SPS and customs controls. If I move it into Northern Ireland and bring it across on the Belfast-Liverpool route, the same product will have to be checked; otherwise, it is pointless having the Holyhead checks. So how will that EU product be differentiated from an NI product, and how will the Stormont brake even come into play?

Those are the challenges that industries will have. We will have problems that are not just related to the supply of goods into Northern Ireland. We will have greater problems than that.

Baroness Ritchie of Downpatrick: Thank you. Roger, what is your assessment of the proposals to address the democratic deficit under the protocol, including the Stormont brake and the Commission's proposals for enhanced engagement with Northern Ireland stakeholders, one of the significant ones being FSB?

Roger Pollen: Clearly, the UK Government and the EU felt that the Northern Ireland protocol had created a democratic deficit, so they developed the Stormont brake. As a business organisation, our concern is to have effective engagement and processes where, if an issue is causing difficulties for businesses, we have a clearly defined route to raise it and address it.

The brake seems to be consistent with the petition of concern and other measures in countries that have close relations with the EU but which are not part of the single market, but before even considering whether or when to pull the brake it would be wise to establish a minimum service level agreement that defines timely processes through the agreed structures.

At the moment, there seem to be very warm relations between the UK and EU. That is very good and very welcome. These things tend to go in cycles, so at some point in the future we may expect that to be not quite the case and we need to future-proof this so that we have minimum standards by which the joint committee and supplementary committees below that will address concerns that are brought forward.

The other point I want to make is that Article 16 was included in the previous agreement between the two parties as a means of escalating concerns, but it rapidly assumed the status of a nuclear button that nobody wanted to go near; otherwise, you would bring down on your head all sorts of problems. That was unhelpful because, if it is part of a process of resolving issues that are of concern to business, it ought to be available for use in the proper way.

We will see how this evolves, but, broadly speaking, business is pleased that the Stormont brake has brought a degree of local input to the process so that, if we are affected by things emanating from the EU, we have a way of escalating them quickly using our own democratic structures, and that can only be welcomed.

The only thing I would say is that we are still waiting for an awful lot of detail on the way the framework is to be implemented, and time is starting to be of the essence. It is very easy to swamp businesses with requests for their time and input to processes and structures. So much is being changed here at the moment. I am conscious that we go to a lot of our members very frequently to ask them their thoughts on proposals, so there is a risk that we will not have the right or adequate inputs from business exactly when we need them.

So it is important to put in place a framework for when we can expect consultation and parts of the process to be developed and implemented.

Peter Summerton: If I may make a further comment, as a business community we have to make sure that we do not get sucked into conversations around the Stormont brake and how that runs. Your question was about a democratic deficit. In the UK and Ireland, people stand for election to make the laws that govern us, so whenever you ask a question about democratic deficit it should not be up to the business community to comment on it. The Stormont brake does not satisfactorily replace people standing for election and creating laws for the countries in which we live. It does not replace that democratic deficit. In fact, it simply gives a mechanism to block, in an extreme event, any new law being imposed.

The question of the democratic deficit is probably one that as business people we want to stay clear of, because what we do not want to have in future is business and people being challenged separately: people and government want something, but business wants something different.

That is not the state in which we live. Democracy is not driven by business; it is driven by the people. That must be true in Ireland as it is in Northern Ireland, England, Scotland and Wales where we have local council elections coming up. That is how our country works.

Lord Dodds of Duncairn: To come back to the issue raised by Peter, which I thought was interesting, we have heard about the border control posts for goods coming into Northern Ireland at Northern Ireland ports. Peter mentioned that under the target operating model there would be a similar type of post at Cairnryan. If that is there to stop stuff coming in from the EU, the Irish Republic, that might decide to go into the UK in that way because of free access, you said there would have to be some way of differentiating that from Northern Ireland goods, which do have free access, but does that not then lead to another green/red lane situation and checks for stuff coming from Northern Ireland into Great Britain, not just stuff coming from Great Britain into Northern Ireland? Or is that not right?

Peter Summerton: I refer to page 97 of the document, which shows graphically the proposal for a BCP at Cairnryan.

Without trying to get too technical, goods come into the island of Ireland directly from the rest of the world and the EU. Those goods will be controlled if they enter Great Britain via the Dublin-Holyhead route or, say, the Dublin-Liverpool route, but it is clear from point 13 in the target operating model that those goods can freely enter Northern Ireland, which means that they are likely to exit a Northern Irish port. That could be Belfast, Larne, Coleraine or Belfast Airport.

Two years ago, we called this the Donegal question. How will Donegal goods move through Northern Irish ports? How will they be checked and controlled, should that happen?

Then we get into the origin of goods. If, say, Polish poultry comes into Northern Ireland and somebody decides to pack it into a bag in Northern Ireland, they have not processed it; they have just packed it into a bag. Does that become Northern Ireland-qualifying? It should not. How is that differentiated against a farmer in Northern Ireland who has chickens that go to a slaughterhouse and processing plant to process them? Whenever GB, which is our single biggest retail market, looks at that, how can it be assured that the products it is getting from Northern Ireland qualify as Northern Irish products that are not from the EU or the rest of the world?

All these are challenges that, to be honest, the border target operating model has revealed. We talked about them in theory before and I suggested for three years that this would be a problem, but the target operating model will make sure that that problem is now written in black and white. The target operating model does not comment on Northern Ireland goods coming out; it says that the requirements for Northern Ireland out are defined by Windsor, but they are not. The UK has left a clear legislative gap on how movements west-east from Northern Ireland to GB will be controlled, should there be movements—clearly, there will be—from the EU and rest of the world into Northern Ireland. Does that answer your question?

Lord Dodds of Duncairn: Perhaps it begs a lot more questions in due course, but thank you very much for that.

The Chair: Thank you. That was helpful.

Q37 **Lord Empey:** Good afternoon. What will the relative impact of the Windsor Framework be on SMEs compared with larger organisations? Obviously that is one for you to start off with, Roger.

Roger Pollen: If the spirit of the Windsor Framework emerges as was stated, the overall impact should be substantially reduced on all businesses. That is why we need to see the detail: to see what the reduction in expectations will be.

There could be costs in getting access to the lighter-touch parts of the implementation, such as software systems, so we need to see what is

being expected of those businesses. I spoke to a business last night that has 10 members of staff. One of those members of staff—they have been analysing it quite closely—is spending 75% of their time on process, so 7.5% of the working capacity of that entire firm is committed to process related to movement of the goods that they handle. That is a huge overhead. The question is whether the Windsor Framework reduces that significantly, and we are just waiting for the detail to see in what ways it may reduce it and in what ways it may increase it.

Part of the Windsor Framework is to step into the space created by the protocol, as it should have been implemented, or as envisaged being implemented, rather than the way it was operating with the benefit of the grace periods. I do not want to keep going back to the point that we need to see the detail, but unfortunately that is the case before we will be able to really evaluate what the overall burden and the reduction of that burden are.

Lord Empey: Will you set out for the committee the differentiation between your members—you said you were the largest business representative organisation—and the larger firms? Do you see it potentially putting your members at a disadvantage compared with larger companies?

Roger Pollen: To take the example of the firm I talked about, it has 10 employees, one of whom spends 75% of their time on process. If that firm employed 100 people and it still took one person, the proportion of that firm's overhead on complying with the burdens would be vastly reduced proportionately, but the amount of time required to undertake the process would still be the same. Big firms will be able to absorb more of the process than smaller firms.

Obviously, the objective for all of us has to be to try to make as much of this frictionless and to reduce the burden as much as possible, and that is why we need to wait and see how that is going to be done and how it is going to be delivered. The spirit seems to be there. We had our first briefing yesterday on the way VAT and excise will operate. There seems to be a willingness to try to make improvements, but at the moment they seem to be piecemeal, so we cannot yet see the whole picture and therefore evaluate it.

Lord Empey: Sarah, how will it impact on your clients?

Sarah Hards: The larger businesses that we deal with have really taken a hold of Brexit. They have large buying teams that have worked internationally for years, so this is in their remit. They have a good understanding. They have done these movements from GB to NI, but they have not needed the extra paperwork on top of it. They have been able to adapt and adjust without having heavily to recruit. All they have had to do is change their processes and move the processes that they used for the rest of the world to Northern Ireland.

I believe that SMEs will struggle. They do not have the expertise. They do not have the experience. I know that we have been doing this for three years now, but some of them are still struggling.

Education is key, and that is not just for Northern Irish businesses, because I feel like that has been impressed and imposed on us in Northern Ireland, but maybe not so much for the GB suppliers and manufacturers on the smaller side. Some of them still are sending goods to our groupage networks and asking, "Why do we have to do these customs declarations?", even after a number of years and it being well publicised.

When the PM came across and gave his speech, it was very enthusiastic and it sounded very positive, but, again, the onus was selling it to the people of Northern Ireland and the businesses of Northern Ireland. It needs to be sold to the businesses in GB to say, "Look, this is what you need to do. This is the process you need to put in place". We are still waiting to see exactly what that detail is. "Here is how to make it work and to move your goods into Northern Ireland".

Larger firms have that experience. Smaller ones possibly do not, and it will be harder for them in the first instance. This is where we are at, and we need to make it work, so education is key, I believe.

Lord Empey: Thank you very much. Peter, I guess you have members who would come into both the SME and the larger firms categories.

Peter Summerton: Yes, I would have. I agree with Sarah that the smaller businesses are disproportionately affected by any form of customs and SPS checks. For the avoidance of any doubt, I will use an example of typical paperwork-only costs to move a consignment into the port of Dublin.

Moving it away from the debates about all the ifs and whats, I will give an illustration of how it affects SMEs more. A lorryload of a product sells at €5 with 10 in a box. There are 60 boxes in a pallet and 26 pallets in a truck—a value of €78,000. The customs and SPS costs to move that across the port are €260. That breaks down to 0.3% of the overall costs. If you want to move a pallet of the same product, you simply divide the number by 26 to move it from a full load to a pallet quantity. You end up with €3,000. That €3,000 has the same paperwork costs. We are now facing a ratio of 7.8% paperwork to goods costs. If we want to bring it down to a very small trader who wants five boxes of the product, that would mean that the paperwork costs equal the cost of the product itself. As soon as you produce customs paperwork and SPS controls, the value of them very much relates to the value of the goods you are moving and massively disproportionately affects the smaller traders most.

The Northern Ireland supply chain from Great Britain is part of the local supply chain/regional supply chain. Outwith Great Britain, we are simply a region, and goods that move across the Irish Sea are regional goods. Therefore, I suggest strongly that a high percentage of the trade between

GB and NI is in those smaller quantities. There are only 1.8 million people in NI, so we are not going to bring in a lorryload of a single commodity each time. We simply could not store that, and we simply could not use it by the end of the shelf life, so we are definitely going to be affected by a higher percentage of customs and SPS costs.

Regarding the detail of it, I will go straight to the EU text for the regulations around the Windsor Framework. I find them to be reasonably detailed and really clear. They demonstrate that goods not intended for retail use in Northern Ireland to an end consumer point will be subject to full EU SPS customs controls.

The UK Government need to clarify in their documentation what the green lane is and how retail works. If we see the same cost profile for moving goods into Northern Ireland as we have seen for moving goods into Dublin—I have just given you an example of what the actual costs are going to be—it will have a massively adverse impact on smaller traders in Northern Ireland. It simply has to.

The costs of a customs declaration are the costs of a customs declaration. The costs of an SPS declaration are the costs of an SPS declaration. If you are moving 1 kilogram or 1,000 kilograms, the costs are the same for the declarations. They do not change. Therefore, smaller traders must be impacted worse.

Lord Empey: With your indulgence, Chair, I would like to ask Peter a question about labelling. Let us take a tin of baked beans. Would it be possible to label it “for consumption in the UK only”, so there would be no need to distinguish between GB and Northern Ireland? Smaller quantity runs are obviously virtually an impossibility.

Peter Summerton: That would give me real concerns for Northern Irish manufacturers that are supplying GB and the Republic of Ireland, because, all of a sudden, Northern Irish manufacturers, at the scale Northern Ireland is operating at, would have to run two SKU lines down every one of their machines depending on whether it is going to GB or the Republic of Ireland. For my Northern Irish customers, I would see that as adverse. My Republic of Ireland customers supplying Northern Ireland and GB would have to run two separate SKU lines, because that would hurt them too.

For my GB customers that are manufacturing the goods and putting them into cold stores, at the point of manufacture the point of sale would be unknown. The idea of robotic production lines moving into retail sealed packs—shelf-ready packs—and effectively having to take out every packet of ham to stick a label on it just is not going to work.

What is very likely to happen is that it will divert retail trade either directly into the red lane coming from GB because you can move it in bulk and pay the costs of making a bulk movement, or it will redirect the supply chain. Instead of supplies coming from GB to NI, alternative supplies might come from the EU.

It also may just mean that the product range in Northern Ireland is commercially restricted due to the labelling costs, and many of those products simply become unavailable in Northern Ireland. I worked in manufacturing for 15 years before haulage, so I am not talking about that as a haulier; I am sharing my 15 years of experience in manufacturing.

Q38 Baroness O'Loan: I accept the comments that have been made about enhanced costs for Northern Ireland consumers and the consequential restriction of the removal of goods into Northern Ireland and vice versa. To what extent will the Windsor Framework protect both Northern Ireland's integral place in the UK's internal market and its unique access to the EU single market?

Roger Pollen: That is a good question, because it could be the best of both or it could be the worst of all. You mentioned the unique access to the EU single market. The point is that, if it is unique, that could mean to other people that it is different from all the EU countries, so there is a perception risk that those EU countries do not recognise or engage with our market in the way they would with others. There is similarly a risk that we get marginalised from the rest of the UK internal market.

There is probably a role for the Office for the Internal Market, from one perspective, as the well-resourced eyes and ears to ensure that we are not being negatively impacted.

There is probably a role for an EU champion almost akin to the US special economic envoy for Northern Ireland, Joe Kennedy, who has been appointed to champion Northern Ireland in other markets. If you had something similar within the EU championing the fact that Northern Ireland is an integral part of the EU single market and the UK internal market, that could be a very helpful intervention.

Going back to Sarah's point, effectively there was no education piece done, and I do not suppose there could have been because we were still working it out as we went along. We were applying sticking plasters. There was no fixed rulebook to promote. There still is not, but hopefully within quite a short number of weeks and months we will get to a point where we know exactly what the rulebook is, and at that point we need to make sure that there is effective promotion of it so that we do not find that that unique access ends up being a disadvantage as opposed to a selling point.

Sarah Hards: I agree with Roger. He came up with some really good points on having someone in the EU promote Northern Ireland as a place to do business. Our having unfettered access to GB is the way it should be, and working with the EU freely is a really unique, interesting and good place to be.

It needs to be realised. We have not reached the point where there is enough stability and enough clarity on everything. I have spoken with other trade bodies outside Logistics UK, and they said they have major

investors who want to bring their business to Northern Ireland because of its unique position but cannot do that until things are settled here. It is key that we get clarity and more detail, we give feedback and we can move forward.

Baroness O'Loan: Thank you very much.

Sarah Hards: I am a forever optimist.

Baroness O'Loan: Good.

Peter Summerton: For me, the question has to be looked at from the point of view that Northern Ireland has full access to the EU for goods, not services. I want to be really clear what the protocol actually does, because it is really confusing whenever you are talking to European businesses as to what status Northern Ireland actually has.

Our unique status is not that unique, because what it really means is nothing has changed regarding moving goods produced in Northern Ireland to the EU in the last 30 years. What has changed is that controls have been put on our supply chain from GB into Northern Ireland, which has an impact on Northern Ireland's ability to compete in the other direction, west-east.

My real concern—I have expressed it several times here—is that, despite the number of times I have heard “unfettered access to GB markets”, the Government seem to be very shy about coming forward and explaining what controls there will be on EU and rest-of-the-world goods that have entered the EU moving through Northern Ireland back into GB. You cannot have both. You cannot have no controls on goods leaving Northern Ireland and goods freely flowing through Northern Ireland into GB, while at Liverpool, Holyhead and Fishguard there are controls on goods directly coming from Ireland into GB.

There is a piece of the jigsaw that is massively missing here, and that is clarification about “NI-qualifying”—what you have to do to prove you are NI-qualifying, how that differentiates itself from non-NI-qualifying Irish goods and what controls there will be at ports of entry into GB.

Take, for example, product made in County Louth that enters GB from Warrenpoint and product made in County Louth that enters GB from Dublin port, both sailing into Liverpool. There is a challenge. We have to confront that challenge and we have to understand that challenge, because it is key for Northern Ireland businesses, especially our agri-food sector.

As the UK seals its borders and goes forward with the border target operating model, it does that for two reasons: first, to protect the supply chain for UK citizens and GB citizens; and, secondly, it permits GB to demonstrate to external partners, the people it wants to export foodstuffs to, that it has control of its borders.

Northern Ireland is becoming a back door, and hauliers like me need to understand how that back door operates and how we need to interact with our customers. The key milestones are set: 1 October 2023 for the Windsor Framework and red and green lanes at Belfast, Larne and Warrenpoint, and 31 October 2023 for controls at Holyhead, south GB ports and Liverpool from Irish ports.

If we learn anything from the examples that have happened post Brexit—Irish goods, rather than transiting GB and undergoing very simple controls at Calais for a transit, use one of the 40-plus sailings that go directly to the EU, even though they cost £1,000 more and take much longer—it is that simple checks were enough to divert logistics on to longer and more costly sailings.

What would we expect to happen if we put in controls at Holyhead and Liverpool on product leaving Dublin? The trucks are going to come north, and they are going to come north quickly, and we need to understand how to do that because Northern Ireland's reputation as a premium food producer must be protected above everything else. It is 113,000 jobs. It is a fifth of our private sector. It is critical that Northern Irish goods are protected in the way they move to GB.

Baroness O'Loan: So that I fully understand what you are saying, the agri-food industry is a north-south industry; there is a lot of movement of goods across borders and so on in the production lines. You are saying that if goods move freely from Ireland through Northern Ireland into GB, and beyond presumably, it could have an adverse effect on local producers in Northern Ireland. Is that what you are saying?

Peter Summerton: I will take it down to a really basic example. If milk is produced on an all-Ireland basis and a pint of milk leaves Tipperary to go to GB on a sailing between Dublin and Holyhead, and it has to have an SPS form and a customs form, but the same pint of milk can come to Northern Ireland and go from Belfast to Cairnryan, surely we have just made completely pointless the controls that we have had in place.

Milk is a really basic example. Whenever we talk about third-country goods coming into Northern Ireland, does this mean that third-country goods can enter the EU, come to Northern Ireland, be packed in a bag in Northern Ireland and transferred straight to GB with no controls whatever? That would be to the disadvantage of Northern Ireland chicken producers, who are slaughtering the chickens and processing the chickens.

If Northern Ireland is to have unique benefits in access, in terms of the logistics it is very challenging to see how that can ever be, because if you are going to put a border somewhere and a line somewhere, you are going to have friction somewhere. As to Northern Irish goods, it is quite clear to me that the UK Government need to come out very quickly and clarify how unfettered access to GB and unfettered access—point 13 from the border target operating model—of EU goods and third-country goods from the EU coming into Northern Ireland are not mutually exclusive.

Lord Thomas of Gresford: Do I understand you to say, Peter, that if goods go directly from the Republic of Ireland to Liverpool there will be paperwork and so on, but if they are routed through Belfast there will be no such paperwork? Is there a difference in that?

Peter Summerton: A responsible exporter should be preparing the paperwork. I will read directly from the border target operating model: "In line with the introduction of border controls on EU imports set out within the border target operating model, businesses from Ireland will face new checks and controls when moving Irish goods (i.e. any good which is not a Qualifying Northern Irish good) from Irish ports (e.g. Dublin Port and Rosslare Europort) directly to Great Britain (e.g. Liverpool port and Holyhead port)".

There are controls on Irish goods moving from Ireland into GB. There is reference to qualifying Northern Irish goods, but there is no reference to EU goods moving through Northern Ireland and how those controls will be carried out in Cairnryan should they be carried out in Cairnryan, and how Northern Irish goods will be differentiated from them.

Lord Thomas of Gresford: There is no direction on that that you have been able to see about what happens if you are an Irish producer routing your goods through Northern Ireland.

Peter Summerton: Ireland will require an export declaration. The UK will require an import declaration. It will legally require an SPS declaration. Where is it going to be checked? How is it going to be checked? How is it going to be managed? We know what you need to do to export a product from the Republic of Ireland to GB. We do that every day. What we do not know is where the controls will be for those products and how they will be handled should they exit via Northern Ireland.

Q39 **Lord Godson:** Thank you again to our witnesses both this time and last time for educating us on the hard realities—no pun intended—of what we are facing here.

What would you like to see going ahead on the detail of the implementation—this is a question for all our witnesses—within the parameters of the agreed terms for the operation of the green and red lanes, as far as we know them? As you say, there is some detail, but not all the detail. What would make a significant difference to their positive operation? What would you like to see as the headline that would give assurance to your members, your stakeholders and your businesses? Is there a requirement of the operating procedures that would make it more burdensome?

I recognise that this has been answered in some measure by some of the witnesses, but I want just a little more detail on the top lines you would like to see. It is generally understood that the trader support service will deal with all or most of the paperwork for customs declarations. I would just like a little more from all of you on the detail. What is your understanding about what information the TSS will require from your

companies or your clients or other member organisations within the relevant bodies that you are representing?

Sarah Hards: If you qualify as a UK trusted trader, you can use the green lane. There is a major reduction in the amount of paperwork that is required. It goes from 80 data fields to just over 20. Even to move goods from Belfast to Dublin, you need to put information into an online portal just for booking. You need probably 12 to 15.

It is really not that much more onerous. We are looking at using EORI numbers, which everyone is au fait with now, and a shortened commodity code on top of all the regular details required to move goods back and forth. There is no supplementary declaration required after the goods have been moved, which I know has been really burdensome and onerous on any type of business bringing goods in from GB. That is great if you can use the green lane, but if you cannot use the green lane it is straight to that red lane and full customs declarations. Is the lorry going to be pulled over at the port? What is going to be checked? Is it a physical check of paperwork? Is it online? Are they going to pull the curtains back and inspect pallets? We do not know. Maybe that is where we need more detail.

We work with retailers, which will work well in the green lane. We also work in groupage. We have maybe five double-deck trailers coming over from GB every night. There are 90 pallets on each trailer. That could be 90 different consignments from 90 different companies across GB. How many of them will be green lane or red lane? We do not know. We cannot siphon off two trailers for red lane and two for green lane. Groupage works is fast-paced and cost-effective. It should be. People will not want to say, "I need to pay X amount for a full declaration". It is not worth it, as Peter said before, for the likes of someone bringing in one pallet of dog food. If they are not UKTS, it is going to be red-laned. We need to make it easier for companies to join UKTS to make use of the green lane.

I know we have businesses that bring goods in from GB. A tool supplier is bringing in numerous different tools from different suppliers in GB, and it is the main supplier of these tools throughout Ireland. It does not know on 1 January when it puts its order in where those goods are going. Ten per cent of them might go to ROI, and it would be an awful shame if it had to put every single one of those through the red lane and fully customs clear.

We need a bit more clarity and a little bit of easement here and there. I do not know exactly what it would look like. We need to speak with our customers more to see what they would do. If something that has been bought in Birmingham is going to Cork, it is going to go via Dublin. If you have a Northern Irish supplier of certain goods, it will bring them into Northern Ireland and then supply online shopping. Everything like that will be subject to the red lane, so some sort of easement there could be good. It is just very hard to tell whether it will be at risk or not. It is a shame if someone has to put themselves through all these types of declarations if it is not required for a majority of their goods.

Peter Summerton: The framework is a product of the UK and the EU recognising that in the GB to NI supply chain there were, in their words, unforeseen problems with those product movements, even though I would suggest hauliers were warning of them well in advance. I think it has missed that brief. I am really clear in my understanding of the so-called green lane and how it operates. It clearly is a retail green lane, and it requires goods to be moved by direct transport to the point of sale in Northern Ireland where the final consumer is. We are clear on that.

We have even gone further and asked the EU what happens after that point of sale and the packet of ham or the packet of sausages crosses into the EU. It has been clearly determined that that would be an illegal movement, although it probably would not be enforced for that low-level activity.

I am very clear on what can go in the green lane. What cannot go in the green lane is anything not going to a fixed point of sale to an end consumer in Northern Ireland by direct transport that has not been profiled under the trader support service with a customs declaration. That is also really clear. The problem is that that is a lot of goods, and the friction that that red lane causes will cause problems in the GB-NI supply chain.

The idea that we can have easements on that red lane is quite challenging for the EU, because it is the same red lane that operates into Dublin, and quite clearly we understand how the red lane into Dublin works. The brief that the Prime Minister gave was that he has removed any sense of a border in the Irish Sea. That quite simply is not the case.

We have talked about the red lane problems. We have talked about the green lane problems. We have talked about moving goods being the same as moving from Birmingham to the Isle of Wight. This quite simply is not the same as moving goods from Birmingham to the Isle of Wight. It is completely different. The red lane is a third country to EU movement. That is not an internal movement. The green lane is caveated as a food retail lane. Even using the UK's own documentation, it is very clear what that is intended to do with all the additional labelling. This is not the same as sending goods from Birmingham to the Isle of Wight.

You asked what we would like to see. We would like to see goods movements from GB to Northern Ireland being the same as from Birmingham to London, Birmingham to Glasgow or Birmingham to Swansea, and that Northern Ireland gets the most cost-effective supply chain that it could have from GB. It is 70 million people supporting 1.8 million people on a supply chain. If it was not the most cost-effective supply chain, we would have moved it years ago. It would have happened in 2000, 2005 and 2010. It is the most cost-effective supply chain, and we are putting barriers on that supply chain, which is really challenging.

We move a third of our goods on the island of Ireland north-south. We are not coming from a political point of view here or anything like that. Quite simply, we need infrastructure to be put in place in the form of a

small border arrangement to allow goods to move around these islands. If we look at how our common travel area works, we need a special arrangement for these islands. We need a mutual enforcement requirement for people producing on these islands.

We do not need barriers. We do not need things that create conflicts in the supply chain. We do not need friction. Anybody who thinks friction is good in the supply chain is completely undermining the EU's argument for the whole EU. The whole EU exists to remove trade barriers, SPS controls and customs declarations between member states. How can we possibly argue that they are a good idea between Great Britain and Northern Ireland? It just cannot be.

Roger Pollen: Both Peter and Sarah make very good points. Sarah particularly highlights why we believe that the involvement of business in the development of the operationalisation of the Windsor Framework is essential.

Sarah referred to one type of business. Funnily enough, I spoke to a very similar one only yesterday—a Northern Ireland business that has most of its business in Northern Ireland but sells some stuff across the border. It is very concerned that it has not yet seen the details to know whether it will be able to avail itself of the green lane, or whether it will be forced into the red lane for all the inputs to its business, with the risk of having to pay duty on that and try to recover it afterwards.

It is making the point that it is unclear and uncertain what its business model will be. It needs to see the detail. The point is to involve it in the development of how that detail will need to be collected and applied so that, ideally, that sort of business can use the green lane and we can find a means to let it use the green lane, rather than just making the assumption that it has to use the red lane because of one type of interpretation of the way things have been agreed.

Baroness O'Loan: What percentage of goods are going to go through the retail green lane, and what percentage of goods are problematic?

Peter Summerton: It is an extremely good question. At the minute, the retail market is examining if it is simpler to move goods through the red lane—that is simply because of the burdensome labelling requirements—and move goods in bulk into distribution centres such as McCulla's distribution centres in Lisburn and distribute from there.

Baroness O'Loan: Could we put a figure on it? Is it 60:40?

Sarah Hards: It is very hard. If you think of the large retailers that will make use of the green lane and can do it, and some of our customers who are part of moving goods through the pallet network, maybe some of them can use the green lane, then for sure, if it can be proved that their goods are staying in Northern Ireland. The grey area is where they are unsure. The Windsor Framework has been very skewed towards retail,

and the other industries have been slightly forgotten about when it comes to moving their goods.

Baroness Ritchie of Downpatrick: I have a very short question. Have you talked to the Government and the EU about the issue that you have just specified, Sarah?

Sarah Hards: No, I have spoken to Logistics UK, our trade body, and the Northern Ireland Affairs Committee.

The Chair: A Division has been called, so we will have to suspend.

The Sub-Committee suspended for a Division in the House.

Q40 **Baroness O'Loan:** What is your response to the framework's arrangements concerning parcel deliveries between Northern Ireland and the EU, and the rest of the UK? To what extent do the proposals on plants, seeds, machinery and trees resolve the problems encountered under the protocol?

Sarah Hards: I do not have too much to say about the plants, seeds, the birds and the bees, and the trees, but I can speak about parcels.

Parcels have been working under a grace period currently. We work with a fast parcel carrier bringing goods in, and, as I said, the grace period is working well for it at the moment. It is good to have a bit more clarity that information will be required to move these goods across. Again, more detail is required. At the moment, that is lacking. Now we know better what processes they would need to put in place. It will be similar to a declaration of moving in a green lane. There will be information required. It is good that this has been established, but clarity is required.

Roger Pollen: Particularly with plants and that side of things, the process seems to be evolving and memos are being published online from time to time. Various things are being unbanned. It is a process that has started. Two types of privet have been unbanned from coming in. It is ongoing, but that obviously carries the risk that it will either slow down or stop before we get to the end of that process. We are watching it evolving. We welcome the fact that it is at least starting to move again.

A bit of frustration has been expressed by our members about not knowing when those notices will be published, and therefore making it very difficult to plan, but at least we have moved forward from where we were. It just keeps underscoring the need for business to be engaged in this process and for us to keep pushing forward and not accept what we have as being the endpoint, but to have an ambition to drive it forward and really make the best out of this.

Peter Summerton: The guidance that we have been given—I am reading directly from the page—is that business-to-consumer parcels where a person in Northern Ireland orders a product online from an e-commerce platform sent by direct transport from Great Britain to Northern Ireland will benefit from simplified customs processes compared

to normal freight. This will be through the involvement of fast parcel operators and other economic operators sending parcels registered as authorised carriers. This also concerns Royal Mail. The carriers will provide commercial data to UK customs authorities prior to delivering the goods, and the authorised scheme will be monitored by relevant UK competent authorities. Even for business-to-consumer parcels that are being delivered directly, there are customs processes that are now in place, or will be in place.

The main customs requirements will be entirely waived for consumer-to-consumer parcels, such as a grandmother sending a parcel from Edinburgh to her granddaughter in Belfast. However, business-to-business parcels will be the same as for normal freight movements if one is a trusted trader. We would have to assume that if one of the parties is not a trusted trader that would mean that business-to-business parcels will be treated as a third country—I am now paraphrasing—to EU export.

I have taken that directly off the EU's questions and answers document. We are quite clear that there are customs processes for most things save for a grandmother sending a granddaughter a present. I do not know whether grandfathers are allowed to send grandsons presents, but it clarifies grandmothers to granddaughters.

Baroness O'Loan: Thank you very much.

Sarah Hards: Previously, the guidance and advice on parcels was given only 12 hours in advance on New Year's Eve. Obviously, that is far too late. Whatever our customers have to do, a reasonable amount of time before for preparation is key. No one needs that on New Year's Eve. It is not a good time of the year.

Q41 Lord Dodds of Duncairn: On the issue of seeds and plants, in a recent article in the *Belfast Telegraph* by Sam McBride, the reporter highlighted the issue of seeds and plants where the Government were being very difficult in giving precise answers to very precise questions. In Parliamentary Questions that I have put down asking specifically about which trees or plants are banned, they refuse to say. They say that 11 species are now free to come. They will not answer the question.

We talk about a lack of detail. The detail is there, but the Government on many occasions refuse to give it to us. That is something that this committee, you can be assured, will be following up on, because the refusal to answer direct questions points to a much deeper problem about what those answers actually tell us.

I want to ask about agri-food retail trade into Northern Ireland as agreed as part of the Windsor Framework. Do our witnesses think that it goes far enough in mitigating the issues that have been raised in relation to the arrangements for agri-food trade under the protocol? What steps need to be taken in relation to a long-term solution for veterinary medicine, which has been put on the long finger until the end of 2025?

Sarah Hards: We have seen the removal of the veterinary certificates, which we discussed briefly before, and the associated documents, the CHED documents. We tended to do the CHEDs. The vets did the vet certificates. They are quite time-consuming and expensive to do, especially for the likes of groupage. If it can be green-laned, that is great for retailers. It will work really well. It will speed things up. It will reduce the amount of paperwork and cost, and possibly return to old supply chains. The productivity and the range in the Northern Irish stores will be much better. There will be only a trailer-level document to say, "There are goods on here that are SPS goods, and they're cleared for entry to Northern Ireland". That really is a positive.

I do not have much to say about veterinary medicines. It is not my area at all.

Roger Pollen: To pick up on your reference to Sam McBride, therein lies the frustration. We would look to this committee and others to make sure that we keep in focus the idea of facilitation over gold-plating. We need information. We need industry involved in it. We need clarification. We all have a responsibility to drive for that.

Veterinary medicines were referenced when the Prime Minister launched the Windsor Framework at the Coca-Cola factory in Lisburn. He recognised that they know they will need to address that. It has not yet been resolved. I think his words at the time were, "We have time".

I suppose everybody knows it is there. It is a known unknown. We need to get on with it. It will probably address a number of issues and problems, but for the moment it has been kicked into the long grass. We can look to the spirit of better co-operation that we have at the moment as a time when it is worth focusing on getting it resolved rather than leaving it up to the deadline, because that just creates further uncertainty and pressure that we do not need.

Peter Summerton: It is really clear in talking to government and Ministers that more detail is known than is being shown. I think that some of the points in this agreement are being buried in the detail as opposed to the detail not being given, because some very clear pieces of information tend to get spun in different ways.

My understanding is that even for retail—this is from talking to retailers and looking at the specimen SPS form that has been provided for retail goods moving through the green lane into Northern Ireland—there will still be the requirement for the raising of a CHED, so those processes are still in place. In fact, we have to be careful that people do not get confused between what was required by the protocol if it had been implemented and what was required by the protocol as it was implemented—the STAMNI scheme that was in place for the first three months and unilaterally extended by the UK Government.

We can clearly see that a lot of the comparisons are made to the protocol had it been implemented in full—it never could have been, because it

would have crashed the supply chain—and not to the reality that people have come to expect, and that is compared to the protocol as it was implemented. In other words, the green lane today is more cumbersome than the STAMNI scheme that was in place. It requires more information and more detail than when the STAMNI scheme was in place and still requires the raising of CHEDs.

Lord Dodds of Duncairn: Regarding veterinary medicines, when the grace period was introduced on 19 December 2022, the European Union made it very clear that it was acting on 19 December 2022 to provide additional time to businesses to adapt their supply chains—in other words, so that they could divert away from getting supplies from GB into Northern Ireland. Is there not a danger that by the time this is sorted out a lot of these companies will move in that direction? The fear is that this will be left right until the very end date and then there will be a mad rush to get it sorted out, as tends to be the case in a lot of these issues, and by that time businesses will have voted with their feet, effectively. It is probably more a comment than a question.

Peter Summerton: You have used veterinary medicine as an example, Lord Dodds, but let me just take it away from veterinary medicine. Let me take it to anything. The market will seek to source goods from the most cost-effective source. Therefore, if the boundaries, barriers and insecurity from the unknowns between GB and NI outweigh the cost of sourcing goods from alternative routes, the market will source goods from alternative routes. We have seen that really clearly.

We have seen that in our activities with the Republic of Ireland, where traders simply moved the supply of their goods away from GB to buying directly from the greater EU simply because they were sure of when their deliveries would come in and what the costs would be, and they were not subject to Ministers changing their minds, releasing unilateral calls or introducing new prohibitions. The market is already moving. The market is not waiting for the last minute for the Government to make their mind up here. I see that in my work every day.

Q42 **Lord Hain:** Peter and Sarah, will you explain what impact there has been on your profitability, staffing levels and turnover since the protocol has been operating? It is probably too soon to see what the impact of the Windsor Framework will be on that.

Sarah Hards: For us, as soon as Brexit happened, through our groupage network in particular, it just went off the side of a cliff.

Lord Hain: As soon as Brexit happened.

Sarah Hards: Yes. Nobody wanted to send goods in from GB to Northern Ireland. They might have wanted to, but they were completely confused and bewildered about how to do it. Our main customer base is in Northern Ireland, so goods are moving from Northern Ireland out. It was the other members of our pallet network that have the relationship with

the GB suppliers. We put up a proposal to all those businesses, but it was almost as if they thought, "This isn't going to happen. This isn't for real".

Lord Hain: What about the figures for your business?

Sarah Hards: We brought six trailers in every night. We were sending six trailers out. January is a bit different in terms of when it happened; it always gets a little bit quieter. If we were sending those out, we were getting two back full, and we need like for like to make it work.

To be honest, freight volumes had also dropped at that point. We were contending with Covid too, so it was a very strange time. However, our profitability was okay. It dropped by 1% or 1.5%. We work in the retail sector, and we were able to offer customs declarations and CHED entries, so there were other revenue streams to use and take advantage of.

Would we rather see it return to normal volumes and take away these barriers? Of course, we would. Thankfully, we are nearly back to where we were pre-Brexit, because businesses have got used to bringing these goods in and doing the declarations. Annually, we should have been increasing by 5% each year on our volumes, so we are missing a few years of that.

Peter Summerton: On headcount and people, we have a customs facility that employs as many people as our transport administration. We have 24 additional bodies that have worked through the organisation in customs and what we do there.

For our business, I prepared really well for Brexit simply because we have our Republic of Ireland operations as well, and we purchased another cold store. We have adapted ourselves to accommodate a very shrinking pie between GB and the island of Ireland by taking through competency a larger slice of it. As to competence, we definitely sold ourselves on that basis. I do not want to do an advert for McCulla Ireland, but with what we understood and how we have read into the documentation we have always prepared well ahead, and in a shrinking market we have expanded.

Lord Hain: You expanded.

Peter Summerton: Yes, that is right; we have expanded. We have three cold stores. Instead of moving groupage across the Irish Sea—our groupage is down 90%—we opened up a cold store in Belfast and we bring bulk goods on to the island. Let us be clear. War is really bad—I think we can all agree on that—but people who make munitions for war make a profit out of war. We are seeing a situation that is really bad, but because we know how to adapt to it and how to manage it we can create opportunity in adversity.

I am not sitting here arguing that these things are sustainable. The supply chain between GB and NI, had the protocol been implemented in full, would have collapsed. I am on record as saying that in 2020. These are really challenging times. We are having to work very hard. We knew

that we would require more cold storage on the island of Ireland because we simply knew an Irish Sea border would not work. We bought the other cold store because goods cannot move on a timely basis across the Irish Sea border. If you sell umbrellas in the rain, it does not mean the rain is good.

Q43 Lord Hannan of Kingsclere: Sarah and Roger, do you dissent from what Peter said about Northern Ireland being a back route into the UK? We recently voted in the House of Lords to ban the importation of shark fins. I cannot imagine that it is a huge issue by tonnage, but in theory some ingenious restaurateur in Gerrard Street could presumably get his shark fins delivered to the Republic of Ireland and have them driven through. Peter has explained it several times. Do you agree, or is he missing something?

Sarah Hards: Of course, there will be a back door and a smuggling window. That is part of life in general. But I do not see it as a legitimate or highly serviced route to market from the EU to NI into GB. We all work in good faith to keep it that way. We have seen a lot of information from the EU about how it would keep the integrity of the internal market and its side of things through market surveillance and so on. I presume the GB Government will put something similar in place and will work on intelligence-led information to see whether it is happening, and try to pinpoint it and stop it. I do not see it as a major issue. It is just not something I have really come across before.

Roger Pollen: We are at the foothills of the new system as it will eventually evolve. We have been looking for detail on the border target operating model. We have seen bits and pieces about that. The Northern Ireland Civil Service is trying very much to get hold of how that detail will evolve and how it will dovetail with the Windsor Framework.

Peter made the point earlier that for legitimate trade you will require an export document, you will require an import document at the other end and you will require veterinary certificates. If the UK's border target operating model is operating effectively, all legitimate trade should be going through that, and that back door should not be available to that sort of trade. It always seemed to me that there were two things. One is that the Northern Ireland protocol and the Windsor Framework are for the benefit of the law-abiding. If somebody is determined to break law, they will try to do that, and they will reap whatever punishment comes their way. It is the framework in which all legitimate businesses are meant to operate.

To take Peter's analogy a bit further, trade is like water: it finds the easiest route. Everything we put in the way of that adds to costs, and that cost is always applied to the consumer. Where Peter has built cold stores, which is a very sensible thing to do in his business to manage the challenges that he is facing, that is adding cost on to the SMEs in the middle and to the consumer at the end of that. The cost of those shark fins in London, if they came by that route, would be significantly higher. If there was an illegal imperative to do that, people might go down that

route, but the effectiveness of the border target operating model should weed that out.

Q44 Lord Hannan of Kingsclere: I gave the example of shark fins, which was a slightly silly one because it is eye-catching. We will be joining the CPTPP. We may have different agri-food standards as a consequence. We may have trade deals with India and so on. There may be gradual divergence; there already is for some things like biotech. Do you see, long term, as this divergence happens, that Northern Ireland will find itself diverging more north-south or east-west? In other words, will it follow, in most cases, the GB standards, from what you can see, or will it begin to peel away?

Peter Summerton: I will answer the last question first. If legitimate business processes and everything else are simply all that is required to block the back door into Great Britain via Northern Ireland, why have we spent five years arguing about goods going from Great Britain through Northern Ireland to the EU? It is the equal and opposite reaction. For every truck I send into Great Britain from Northern Ireland, I bring only one truck back, not two. It is absolutely beyond my logistical comprehension to think that there is a risk of goods getting stopped at Liverpool for a Dundalk business, and that if it ships on a Dublin route it will not put it on to the Warrenpoint route when it does its paperwork and will not be stopped. I simply do not understand where the argument even comes from. It is equal and opposite to the whole protocol argument.

Moving on to your second question, maybe talk about Russian cod rather than shark fins. If the EU and the UK take different views on allowing Russian cod, you will see products potentially moving through Ireland into the UK, but why would you not? That is the sort of trade diversion that we will see. We are not talking about extreme products—shark fins—here; we are talking about day-to-day products such as agri-foods.

To come back to the last question, the supply chain between GB and Northern Ireland in the red lane requires goods to move from GB to Northern Ireland under EU controls. That naturally continues to press Northern Ireland into an EU production environment, because if the goods are not conforming to EU controls they will not get into Northern Ireland to be processed and manufactured because the green lane is only a retail lane.

I am not being political; this is just simple logistics. Is Ireland going to become more EU focused as a member constituent part of the EU, or will it retain the same trading relationship it had with GB given controls in Dublin? Of course it will become more EU-oriented, even though the UK is the single biggest market for agri-foods. The fact is that Jacob Rees-Mogg said it was a great idea to delay the controls on goods entering GB from the Republic of Ireland because that was good for British consumers. The Irish Government say that was very good for Irish processors as well. The counter has to be the same; putting controls between GB and Northern Ireland has to be bad for Northern Ireland consumers and it has to be bad for British processors supplying Northern Ireland. East-west and

west-east movements are irrelevant for goods. Goods move in a circular fashion.

This is actually beyond simple to me. A trade barrier diverts trade. What is the purpose of having the EU? What is the purpose of having the UK? What is the purpose of having the United States? It is really simple. A trade barrier between two entities divides them.

Sarah Hards: Are we talking about regulatory divergence?

Lord Hannan of Kingsclere: Yes.

Sarah Hards: It does not affect us directly, but it will affect our customers. Our main retailers are all moving goods in from GB. I cannot see a regulatory divergence there because we are bringing the goods in from GB to Northern Ireland. With our customers moving goods north to south, you can clearly see that they will probably move towards being in line with the EU and with ROI. What is key is that there are bodies in place to help them with that, such as the special goods body and the Office for the Internal Market, and that there is plenty of engagement there.

Lord Hannan of Kingsclere: Thank you, Sarah. Roger?

Roger Pollen: I am sorry, I lost the thread of the question listening to Peter. Could you summarise it for me again?

Lord Hannan of Kingsclere: Will there be regulatory divergence north-south or east-west? As the UK and EU standards diverge, what will be the impact on Northern Ireland? Will it be increasingly Europeanised in its standards, or will it stay where it is?

Roger Pollen: From speaking to our members, I think they will look to see how they can best service the market that is most advantageous to them. It is as simple as that. We have not yet seen what that divergence looks like. Most will try to service both markets, and some will decide that they will focus on one market in particular. Because we have such a broad-based membership, it is not sectoral, so there are an awful lot of different complexions within that. I cannot give a more helpful answer than that at this stage. I am sorry.

Baroness Ritchie of Downpatrick: Roger Pollen has answered my next question, because he has provided the solution: the people who are in the business will find the solution for themselves.

Q45 **Lord Dodds of Duncairn:** I have a comment and then a question for Peter. To dismiss the idea of a back door from Northern Ireland and the EU into Britain when the operating model is specifically talking about controls from the European Union into Great Britain, leaving aside Northern Ireland, is somewhat naive, given the fact that the EU and the UK Government have gone to all this trouble to devise a protocol to deal with a minuscule amount of goods that might get into the single market from Great Britain.

Peter, on the very real prospect of a border control post at Cairnryan and Liverpool and all the rest of it for stuff going from Northern Ireland, what I cannot get my head around is this: if we are going to control and monitor goods coming from the Irish Republic through Northern Ireland into Britain, surely that will mean checking the Northern Ireland goods as well. Surely, it speaks to a green and red lane channel for stuff coming from Northern Ireland into Britain. That is the logic of that, is it not?

Peter Summerton: The document actually clarifies that it is seeking to create a green lane for Northern Irish goods entering Great Britain via Republic of Ireland sea ports. Therefore, for goods that are on a mixed lorry or on a Northern Irish lorry entering Britain via the port of Dublin, there is talk of a green lane for that, so there will be controls to some degree on that product. Given the fact that traffic flows freely on the island, I simply cannot work out how you could operate the northern channels differently from that, because at some stage there has to be Irish goods and Northern Irish goods either in lorries one behind the other or on the same lorry crossing the Irish Sea north. Whenever we get to that point, we need to understand what controls there will be.

There has been lots of talk of unfettered access, but there have been problems with unfettered access for organics into GB already. We would like to see a very simple question answered: how will goods be controlled exiting the port of Belfast if they are from Donegal? We move those goods every day. We need to know if we need to expect those lorries to be called in for checks and delays. We move freight from 32 counties in Ireland every day, and we need to know what we should anticipate at the port of Cairnryan. We need to know, if we load Republic of Ireland goods and Northern Irish goods on the same truck, whether the Northern Irish goods will be subject to delays and have to be documented so that they are distinguishable from the Republic of Ireland goods, and what we will need do moving goods across that route.

Q46 **Lord Thomas of Gresford:** The framework provides a specialised committee called the enhanced co-ordination mechanism to review the application in Northern Ireland of new EU VAT excise laws. You will know that the framework permits variations of EU VAT regulations in what seem to me to be rather minor ways.

What is your assessment of the Windsor Framework's proposals on VAT and excise, including the enhanced co-operation mechanism, and the commitment to establishing a list of goods not subject to EU VAT rules?

Roger Pollen: We had a meeting on this with the Treasury yesterday, so that was our first opportunity to walk through and understand the detail and discuss it with it. Then we went out to some of our accountancy members last night. Overall, the sense was quite positive that it actually recognises problems that the protocol had created and cleans up and addresses quite a number of them. The expansion of the list is one, and the fact that you can have rates of duty and VAT consistent across the whole UK is another. Overall, the sense was that it is a pragmatic approach that looks like it is going to be a beneficial step forward.

Lord Thomas of Gresford: Peter, do you have any view on that?

Peter Summerton: I will give way to Roger, who has had the ability to talk to some of his members who are accountancy people. My views on it would be driven by the EU's documentation, which suggests that there are restrictions on goods for smaller traders and for immovable goods—goods that cannot enter the Republic of Ireland. I would take Roger's view on that, and I would seek further clarity on immovable property, as determined in the document.

Lord Thomas of Gresford: Sarah, do you have a view?

Sarah Hards: This is not really my area of expertise. It is good to hear that Roger got more clarity from the Treasury on it yesterday, which would be interesting to hear. Northern Ireland will be using its position in an advantageous way. We can avoid any unintended consequence of higher VAT or duty applied by the EU, and the list of goods that can avail of the lower VAT will be revised and added to over the next few years. It seems to be a positive, and we are in a better position.

Lord Thomas of Gresford: Roger, if you are feeling positive on VAT, what about state aid? What is your assessment of the UK-EU joint declaration on the application of Article 10 of the Windsor Framework to state aid? What impact do you think it will have in practice?

Roger Pollen: Truthfully, I have not had any feedback from our members at all on that one yet, so I genuinely do not feel confident commenting on it.

Going back to VAT, the one issue that I suppose would cause most friction is VAT on second-hand cars and the VAT margin scheme. Clarification on the new scheme comes into effect on 1 May this year. That is a big relief to a lot of members right across Northern Ireland who found themselves potentially very badly impacted before.

I would rather not add anything on the question of state aid at this stage.

Lord Thomas of Gresford: Peter, does state aid affect your business at all?

Peter Summerton: Not overly. I say this as kindly as I can: a lot of state aid will have to be given to retailers and producers to produce many millions of labels and put many millions of labels on to packs even to move goods from GB to Northern Ireland. State aid will be required in abundance to overcome some of these difficulties.

On finalising VAT, you and I cannot be positive that there is a list of goods that will be handled the same as the rest of the UK in Northern Ireland, because that would also mean that there is a list of goods that will not be handled the same as the rest of the UK. I would be cautious about how VAT could affect purchases that we make as a business and machinery that we may install in Northern Ireland.

Lord Thomas of Gresford: Could you give us a ballpark guess on how much it is going to cost? As you say, labelling will be very costly for business.

Peter Summerton: I will put this into perspective. Outer cases require a label on them. For individual packs, you are down to a label on each pack. Because you are doing this offline, it becomes a production process of its own. Those costs will be in the millions, not the hundreds of thousands.

Sarah Hards: It does not really affect us as a business, so I do not have anything to say on state aid, but thank you.

The Chair: Thank you very much indeed, all of you. You have given us a huge amount to think about. We are very grateful indeed for the evidence that all three of you have given to us.