



Northern Ireland Affairs Committee

Oral evidence: [Brexit and the Northern Ireland protocol](#), HC 767

Wednesday 6 January 2021

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Members present: Simon Hoare (Chair); Scott Benton; Mr Gregory Campbell; Stephen Farry; Mary Kelly Foy; Mr Robert Goodwill; Claire Hanna; Ian Paisley; Stephanie Peacock.

Questions 371 - 423

Witnesses

[I](#): Victor Chestnutt, President, Ulster Farmers' Union; Aodhán Connolly, Director, Northern Ireland Retail Consortium; and Seamus Leheny, Policy Manager, Northern Ireland, Logistics UK.

Written evidence from witnesses:

- [Logistics UK \(NIP0003\)](#)



Examination of witnesses

Witnesses: Victor Chestnutt, Aodhán Connolly and Seamus Leheny.

Q371 **Chair:** I wish you all a very happy new year and very much hope that we will continue our collaborative work together in the interests of the people of Northern Ireland. Just pausing there for a moment, might I put on record, on behalf of the whole Committee, that our thoughts are with the First Minister, who has had this very unsettling threat of violence against her? It seems embarrassing and shameful to have to say at the start of 2021 that such activity has no place in a rule-of-law, civilised democracy. We deprecate it entirely and our thoughts are with her and with those who are looking after her and ensuring that she is kept safe.

Can I thank our witnesses for joining us this morning for a further session on the Northern Ireland protocol? They say that you have to wait quite a long time for things to happen and then you have a protocol and a deal land in very short order. Everybody will have had a very quiet, thumb-twiddling Christmas and new year, as we have all got to grips with what it means for the doing of business in Northern Ireland. Let me ask, please, our first question to each of our witnesses. Could we have an update, please, on the impact, if any, both positive and negative, that the protocol has had on the sectors that you represent since 1 January?

Aodhán Connolly: I have done a straw poll of the wider sectors as well as retail, but I will start with my own industry of retail. The lack of information and the timeframe of getting that information from Government has been a real challenge. The pre-notification on TRACES to let DAERA know exactly what is coming into the country has caused some major hiccups. These seals and attestations are all new ways of working and not much time has been given. Put it like this: there were people being trained up on 30 December for changes that would be in place on 1 January.

There were still some problems from the five or six days that food could not cross the Channel due to the Covid restrictions, which made it slightly harder. We have already seen that some suppliers, either because they do not understand the new regime or because it is too much hassle, have opted out of servicing the Northern Ireland market.

On the parcel side, we did not receive the guidance from HMRC until 31 December and, because of that, some retailers took the decision not to service Northern Ireland. Quite a few have come back online but not all. While there has been a large uptake of the UK Trader Scheme and the Trader Support Service in Northern Ireland, the uptake has been less among GB suppliers, and that has caused problems. Others have highlighted how hard it is to get solutions and bespoke solutions to problems from the Trader Support Service.



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The big thing that I am hearing from our members is that this is just the opening skirmishes in all of this. Retailers had been stocking up before Christmas for this first week. The flow over the first weekend was less than 20% of usual transport flow, so there are real hardships that are going to come at the middle of this month. Then there are the deadlines coming in April and July on export health certificates and the restricted lists.

The big message from us it is great that there has been a deal and it is great that there is that agreement on the protocol, but we need the EU and the UK to sit down together to talk about how the systems can be simplified and how we can get a long-term workable solution, because quite frankly this is not it.

Q372 **Chair:** I saw this morning on social media that Debenhams is not doing internet sales to customers in Northern Ireland. There is reporting of a number of courier businesses that are not carrying goods into Northern Ireland. Do you think there is enough understanding on the GB side about what they need to do?

Aodhán Connolly: No, absolutely not. Part of it was the fact that the guidance on moving parcels to Northern Ireland only came out on 31 December, so it was impossible for people to be ready for the next day. The supply chain will always take the path of least resistance, so quite frankly if it is too much hassle or if there is new cost to it, then Northern Ireland will get cut out of that supply chain, and it is to the detriment of the Northern Ireland consumer.

Slowly but surely, people are coming online. We are getting a lot of calls from people who are looking to understand those new regulations that came out, but you have to remember that these new regulations are only there until 31 March. After that we do not have a clue what is going to happen. That has not been decided or is not known from HMRC yet.

It is not mainly with the retailers. The actual couriers and services that are moving things to Northern Ireland do not understand it fully, and there is a real need to quickly educate people that it is not that hard. Yes, there is slightly more paperwork, but it is not that hard to do and we need to get that flow of parcels back up to where it was.

On manufacturing, there is a steady flow of concerned people with business-specific queries. Manufacturing NI was very clear that business was not going to be ready, and that has been borne out. There is a need for an experienced and informed advice line, because what there is now from TSS is simply not good enough.

On small business from the FSB, there are medium businesses that were ready. A lot of microbusinesses are confused and not prepared. They are trying to source goods locally, but some simply cannot. As far as the Food and Drink Association, supply chains are holding, but there is a real fear that grace periods are simply kicking the can down the road. They are



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quite concerned about the third week in January when the stuff that has been stockpiled will be used up and the logistics flow, which Seamus will get into, will be back to normal.

From KPMG, there are great worries about the new VAT regulations. A lot of people, even those with significant resource, are finding it confusing. Rules of origin are very confusing and many businesses simply do not understand what it means and the at-risk issue has not gone away.

From the CBI, VAT and margin schemes for car dealers are a problem, particularly Motability. Those are the people who provide cars for the disabled and those with mobility issues. They have stopped servicing Northern Ireland for the moment. On legal issues, there are commercial contract issues in terms of who pays for these additional costs from delays and checks that were simply not there in any of the contracts.

Lastly is the wider comms and problems piece. How will Northern Ireland business get to work with the Joint Committee working group. We do not have that formalised. What interaction will there be between the TCA council and sub-committees on the arrangements around the protocol? Quite simply, this is a really turbulent time when things need to get done at speed. There have to be decisions made at speed. There are unknown problems from what has been agreed, and we will not know until they surface. What will be the mechanism for dealing with those problems as they arise?

Q373 **Chair:** Mr Connolly, that has been very helpful indeed. Mr Chestnutt, what is your take from an agricultural perspective?

Victor Chestnutt: Good morning, Chair, and a happy new year to you all. May 2021 bring us some more normality in every sense of the word, so we can go back to meeting each other.

Chair: Whatever that is.

Victor Chestnutt: However, from a farmgate point of view, 1 January has come and gone. We have initially seen no difference as yet in the farmgate area. However, these are early days. We are only five or six days in and there will be issues, I am sure, to deal with. There will be opportunities, as well as issues, but really because of a bit of stockpiling there is not a big issue. Speaking to the DAERA chief vet just yesterday, he said that on day one, on 1 January, there was universal non-compliance. People did not know what forms to fill. The forms they did fill were not filled right, but he was very pleased that he thought, by day eight, there would be nearly full compliance, so business does react quickly.

I do not want to go on because I am sure some of these other issues come up, but there are snags appearing, especially from GB to NI, on century-old trade of breeding livestock, things like seed potatoes, animal feed imports, fertilisers, chemicals and things like that. I take it we will



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go on into those, so I will just leave it there for now. At a farmgate level, so far, so good.

Q374 **Chair:** That is great to hear, thank you. Seamus, what is your take?

Seamus Leheny: Good morning, Chair, and members of the Committee. I wish I could say the same as Victor. Unfortunately, the change for us has been noticed with immediate effect. There has been a lot of upheaval for operators and a lot of adjustments. It was inevitable with just how last minute everything was with regard to guidance and getting a deal over the line.

If this was going to happen, probably January was the best time for it to happen, because it is one of the quietest months of the year for freight coming in. Nevertheless, we average during January around 1,000 lorries a day entering Northern Ireland from GB, so it is still significant.

I will just touch on the problems that we primarily have very briefly. The first area is on customs. A lot of businesses here are relying on the Trader Support Scheme to do this. The Trader Support Scheme, in fairness, is holding up in some areas. However, some of the promises or assurances that were given are not stacking up. Initially, operators were told a declaration would be processed within 30 seconds. I have had one operator tell me it has taken 12 hours for a declaration to be processed.

Through the customs clearance centre, which TSS uses, they were saying a couple of months ago they had 70 staff. Over the weekend, which was the start of the Northern Ireland protocol, they had four members of staff fielding calls. There are people ringing the call centre looking for help and assistance. The phone is ringing off the hook. It seems like they have been overwhelmed. Planning is probably an issue there as well.

There is also an issue with customs on single loads. If I am an operator and I am going into Manchester to lift a lorryload of one commodity, it is one declaration to do, so it is relatively simplified. Where the problem has fallen down is on groupage, which is a big part of the business here, because where you have a lorry it might go and make 12 collections within GB. For every single collection they have to do a customs entry, and that is where the work builds up, because for a haulage operator to complete the necessary paperwork to give to TSS, it is taking between 20 and 30 minutes per declaration just to do the admin. You can see how that can quickly snowball when you have a groupage load.

On food products coming in, that is probably one of the most problematic at the moment and there was a real breakdown in communication between the Government agencies and industry on that. I was there on New Year's Day. I was in Belfast port and saw the first lorries arrive into Northern Ireland under the terms of the protocol. On that first ship there were only 15 lorries. Six of them were pulled immediately to go to the border control post because they did not have the correct documentation. They were carrying food products, and this is where the problem lay.



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Operators and businesses thought that the grace period applied to pretty much all the formalities on moving food into Northern Ireland, but that was not the case because you still have to do what is called a pre-notification—the DAERA officials in Northern Ireland need to know what food is coming into Northern Ireland, where it is from and how much of it there is. We had lorries arriving into Belfast with no documentation at all and, when DAERA officials looked at the manifest, the trader simply said, “Food.” These lorries had to go, and we have had some lorries since New Year’s Day being detained up to six or eight hours.

I have to praise the DAERA officials on the ground and the veterinary staff. They have been exemplary and they are a credit to their organisation, because they have worked with businesses here. They could throw the rulebook at them, but they have worked with them. I suppose they are also working with EU officials on this, and there has been leniency in the first few days here. They have been able to rectify this, and what they have had to do is take a number of hours to make these pre-notification declarations retrospectively on software called TRACES. Legally, the vehicle should be turned around and sent back to GB if it comes in without pre-notification, but they are solving the problem on the ground here while the load is detained. That is for full loads.

I mentioned groupage for general freight. Groupage on food products is the big headache at the moment. I was on meetings yesterday, and I have another meeting after this today, with DAERA officials and some operators to try to come up with a solution. Let us say you lift two pallets of food products and you drive into Coventry, for example. Technically, a seal should be put on that trailer and then that seal is not broken until it arrives into Northern Ireland, but you cannot do that in groupage, because you might have five or six other collections to do. That is a problem. We have to come up with a solution. I and some operators reckon we might have some solutions, and we hope DAERA will present those solutions to Defra later today and we can implement them as soon as possible.

Probably on the other issue, what is happening with customs? Aodhán touched on it. It is the lack of preparation on the GB side and businesses not knowing what they have to do to continue trading with Northern Ireland. We have had everything from SMEs in GB right up to large blue-chip companies. We have had businesses presented with the same problem, where lorries are arriving to collect goods bound for Northern Ireland and there has been absolutely nothing done with regard to preparation for customs for those loads.

One large manufacturer in GB had 15 lorryloads of food to go to Northern Ireland this week. Not a single one of them could move, because when the lorries arrived there was no customs declaration and the operator quite rightly said, “There is no point me lifting these because I will simply be detained or refused entry to board the ferry at Cairnryan or Liverpool.” That is the problem there.



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I have had emails from operators on the issues that we have talked about around SPS, the food products coming in and the pre-notifications. Again, large companies were emailing me on Monday morning. They had come back from their holidays and this was all news to them, so it has been a bit of a mad dash.

The last point I will make for now is that haulage logistics works on a cycle between Northern Ireland and GB. What goes up must come down as such. One operator told me yesterday that they have sent 285 trucks to GB since 1 January, so up until yesterday 285 lorries had been sent to GB, and they have only got 100 of those lorries back to Northern Ireland, so there is a surplus in GB. The knock-on effect is that they cannot service NI exports going back to GB, because they have lorries and equipment sitting in England waiting for loads that are not ready yet because businesses in England, Scotland and Wales have not been prepared.

Q375 Chair: Thank you for that. You have painted a very detailed picture. Can I make this offer? You mentioned that you are putting some ideas, which will eventually end up on the desk of Defra. Please feel free to submit those to our Clerk, and I will make sure that they land on the desk of the Secretary of State and the Farming Minister pretty quickly. Let us do a two-pronged attack on that.

It does seem, with regard also to what Mr Connolly was saying, that the officials at portside, wherever it is, are doing their job with a light touch, with some empathy, sympathy and latitude. Am I right to characterise your remarks as being that there is a yawning gap in the knowledge of those in GB exporting to NI with regard to what they have to do? Maybe we have all spent a lot of time telling Northern Ireland business what it needs to do and not enough telling GB business what to do.

Seamus Leheny: That is a fair assumption. Most companies here know what they have to do and a lot of their obligations. The breakdown in communication has been from suppliers or operators in GB. I would say they are well prepared here. One operator told me just this morning that, on the opening weekend, they had nine trailers that did not have the pre-notifications because they did not know about this. Luckily, they have the staff here locally in Belfast to deal with this, but this shows you what the companies are having to do. This particular operator told me that they did not know how to do these pre-notifications, but, luckily, they found a video on YouTube and they taught themselves over the weekend how to do it, with some help from a helpful veterinary official from DAERA. They managed to get all those loads released, and since then they have said that their supply chain is now running smoothly from GB to Northern Ireland, but that is only because those guys were creative and solved the problem themselves.

Q376 Chair: That is a very good advert for YouTube. Other platforms are, I am sure, available. This might be a naïve question or a naïve hope, but might one presuppose that exporting businesses in GB will have spent the



largest proportion of their time focusing on what they have to do to get stuff into the EU, and they really focused on that, and then at week two, if you will, they will concentrate on what they have to do with regard to Northern Ireland? Therefore, this is a temporary knowledge lacuna.

Seamus Leheny: That could be. I cannot really speak for a lot of these businesses. You could look at that as one potential. It could be that the formalities required for trading GB to Northern Ireland may have been underestimated and that companies are not aware of it. The emphasis has been on trading with third countries and continental Europe as such, and not with Northern Ireland. Sending goods to Northern Ireland is not very different to sending goods to France or the Republic of Ireland.

Aodhán Connolly: It is not enough to put it at the door of GB businesses sending to Northern Ireland. There has been a lack of communication with those GB businesses, and there has been a lack of time for them to get ready. I will use the example again of moving parcels, the regulations for which only came out on 31 December and had to be ready within 12 hours. There has been a let-down in communication and guidance for GB businesses to send things to Northern Ireland.

Q377 **Chair:** I know that, just after the protocol was signed and the grace period was announced, there was quite a lot of discussion and Michael Gove, the CDL, on the Floor of the House confirmed that it would apply to businesses of all sizes. I slightly paraphrase, but that is broadly what he said, and that was confirmed by the Secretary of State as well. Mr Leheny, how are the wholesalers managing in getting foodstuffs into the corner shops and the small independent retailers that have no space to stockpile and will probably be going to buy stuff for their shelves on a daily basis?

Seamus Leheny: I have been liaising with some wholesalers in the last 24 hours. They are still getting goods through. The groupage issue with regard to chilled foods is a concern to them. One of the largest wholesalers here is going to be on that working group with myself and DAERA officials to discuss those solutions.

Q378 **Ian Paisley:** Happy new year to colleagues and to our witnesses. Thank you for the evidence so far. Seamus Leheny and Aodhán Connolly have basically told us that the protocol and its workings on day six of the protocol's effect are an unmitigated disaster. That is one of the reasons why I voted against it, Mr Chairman, because a blind man on a galloping horse could have told you this was going to be an unmitigated disaster with regard to the protocol. There are no such problems operating in GB because they do not have a protocol. The problems affect us, and we have to recognise that those who advocated for the protocol have some responsibility for that. Mr Leheny, you would be aware of Article 16 of the protocol, would you not?

Seamus Leheny: Could you just remind me?

Ian Paisley: Article 16 provides a mechanism for the protocol to be



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unilaterally disapplied by either the Government of the UK or the EU if its imposition leads to “serious economic, societal or environmental difficulties that are liable to persist, or to diversion of trade, the EU or the UK may unilaterally take appropriate safeguard measures”. How bad does this have to get before you turn up at a Committee like this and ask us to invoke Article 16?

Seamus Leheny: It would have to get to complete supply chains collapsing. We are not at that point yet.

Q379 **Ian Paisley:** You would be prepared to wait for the complete supply chain to collapse before you invoke Article 16?

Seamus Leheny: No, I never said that. I gave an example earlier with one operator having its trailers stopped at the weekend, but then through its own skills and expertise it was able to resolve the issue. This is a large mover of food into Northern Ireland. The operator said to me that goods are moving fine now. The problem is, Ian, that initially the guidance for businesses has been lacking. We need to see the guidance improve, but in the meantime operators are starting to solve the problem themselves.

Q380 **Ian Paisley:** Really? Let me read to you what an operator said to me this morning. He sent me an email. He said, “Morning, Ian. The way this protocol is set up is a disaster. We just can’t get any work done. Drivers are parked up all over the UK. There are mountains of form-filling. This is hindering trade big time. Drivers and staff really are tired and stressed out. There must be a better way, as this is costing us a clean fortune.” You can tell from the language he used that he is from County Antrim, so he is probably one of your members, Seamus. Surely you should be asking us today to invoke Article 16. This is not working.

Seamus Leheny: Our members back the deal on this. The fear is, Ian, if you invoke this, what is the alternative? Is it more chaos? That is where you go to. Before you invoke Article 16, you need a realistic alternative that is going to work. You cannot simply clear it away, walk away from this and think something else will be better. You need a clear plan of action on this. Right now there is no clear alternative.

Q381 **Ian Paisley:** There are none of these problems in GB. They do not have a protocol; we do. The protocol allows that, if there is economic, societal or environmental difficulties that are liable to persist, you can unilaterally remove it. It is not about finding an alternative; it is about removing the impediment. The protocol is now the impediment to trade. It is one of the reasons why I told you I would never support it and why you are in front of us this morning telling us how bad the protocol is. We told you so.

Seamus Leheny: It is not that I have said the protocol is bad. I do not think anyone has said that. You need to give us an alternative politically before we can go there.

Q382 **Ian Paisley:** Removing the protocol is the alternative. For your sector these forms are completely unnecessary and are, to quote from your



member, a paperwork mountain. They are completely unnecessary. This has been done to protect the single market that we are not in.

Seamus Leheny: Give us a realistic alternative that will work for us and protect our industry here. That is what we need.

Q383 **Ian Paisley:** Clearly the alternative in GB is working. The alternative to the protocol is working in GB.

Seamus Leheny: The industry here, Ian, supported the backstop. I know that we have moved on from then. The protocol is where we ended up because, basically, every other alternative option put by Government on a deal was declined. The view of our industry is, "Let us try to make it work."

Q384 **Ian Paisley:** Your industry members are writing to me and writing to my colleague, Gregory Campbell—I am sure they are probably writing to every Northern Ireland Member of Parliament—and they are saying this is an unmitigated disaster. They are not coming at it from a Unionist or nationalist perspective, Seamus. They are not coming at it from a pro-Brexit or anti-Brexit perspective. They are saying on trade issues alone, "This is an unmitigated disaster. Remove this protocol."

Seamus Leheny: We are getting—

Ian Paisley: I am surprised—

Chair: Sorry, Mr Paisley. Could Mr Leheny answer your point?

Ian Paisley: I am just surprised, Mr Chairman, that he is not asking us to remove something that is an impediment to his traders.

Seamus Leheny: The problem here is that we are getting the criticisms from Mr Paisley. I am speaking to operators late at night and first thing this morning. No one has said to me, "Invoke Article 16. Let's remove the protocol." The breakdown is with regard to the service and the guidance given to assist businesses to make the protocol work, and the lack of time and preparation. To invoke Article 16 you could create more problems than we are even facing today. You create another new set of problems as well, and you then throw away any benefits that the protocol can deliver for Northern Ireland.

Q385 **Ian Paisley:** Do you believe we have unfettered access as a result of the protocol?

Seamus Leheny: We have unfettered access to GB, yes, and to the EU.

Q386 **Ian Paisley:** Are the lorries coming in from GB to Northern Ireland unfettered?

Seamus Leheny: That is what we need to fix, and that is what we are working on with Government agencies to fix. Mr Paisley, the time and preparation afforded industry for what is a monumental change to how we move goods has been lacking.



Q387 **Ian Paisley:** I really do not think you can blame that for the problem. Yes, there has been a delay in terms of training folk and all the rest of it, but the problem is more systemic than that. The problem is that we have a protocol that is blocking business, and it is blocking it across the Irish Sea.

Chair: I do not want this to be the Messrs Paisley and Leheny show, though I am sure the ratings would be very good. Let us hear from Mr Chestnutt.

Victor Chestnutt: While I did say that on day one the farmers did not see any difference at the farmgate, up until now there has been no livestock coming in. We have a century-old trade with the UK mainland in breeding livestock. That trade has all but finished and will all but finish. We have a small pedigree sector in Northern Ireland, but because of the small size of our family farms we punch well above our weight. For some of those small businesses, that is their business.

We are recognised in the UK as being very strong in that field of genetics, and we have done that over the years by being able to go over and show our wares over there. That has gone. We now are faced with a possibility if we go to a sale and for some reason do not sell, we are not allowed to take the animal home for six months because it is not resident in the UK. I did not realise we had left the UK. There is "UK" on the tags of our animals, yet our animals have to stay in the UK for six months to have that residency before they can come back to Northern Ireland.

Q388 **Ian Paisley:** A lot of our farmers trade with their sheep, cattle, pig and bird livestock across to the rest of GB. If that market was to slow down and have an impact on the food supply chain, do you think your members would welcome Article 16 being invoked, supposing we can get back to some sort of normal trade flow?

Victor Chestnutt: Our members would welcome normal trade flows. Article 16 is a political thing, and that is for you as politicians to sort out. It is not for us as industry to tell you what to do and what positions to put in place, but, as it stands at the minute, that trade is in danger of stopping completely. If you cannot operate in a marketplace, you will soon find resistance.

There is another issue when our produce from Northern Ireland goes to the UK mainland. Say a load of meat goes and, for some reason, it does not qualify, so it is rejected at the point of sale. That container load of beef could be £50,000 or maybe even £100,000. What happens at the minute is that it returns to the factory in Northern Ireland. It is then taken back out and, whatever the problem is, it is re-sorted before it is exported either back to the GB mainland or to another market. For those without the facility to do that in the UK mainland, and for the vet to sign an EHC document for it to come back, they have to have a support attestation certificate. That means that every one of our exports would need that going out in case it had to return. It is like a re-export paper.



The Trader Support Service pays for the other paperwork. At the minute they do not pay for the support attestation document that has to be sent. It is called an SHA—a support health attestation. That is a cost that is going to be on our businesses, because if you send a load over to the UK mainland and it is rejected for some reason, then you cannot get it back home, so they can offer you what they like for it. That is another issue with our food products sent from Northern Ireland.

Q389 Ian Paisley: Could you just confirm that every single cattle and sheep that moves from Northern Ireland to GB is tagged and has complete traceability when it comes back to Northern Ireland and, therefore, could not be a threat to the European single market when they are back in Northern Ireland?

Victor Chestnutt: Yes. We have the most comprehensive system for recording animal movements in the UK and, indeed, we were ahead of our times in the APHIS, which is now TRACES. We think those animals should be able to do any standstill back in Northern Ireland, and that is something we are lobbying to try to make happen, because, as it stands at the minute, that century-old trade will all but finish.

Q390 Ian Paisley: If I take a pedigree flock or a pedigree herd to England or Scotland, to one of the shows later this year or next year, under this protocol I cannot bring them back for six months.

Victor Chestnutt: That is correct.

Ian Paisley: That is an utter and total disaster for farming, and it is only because the protocol only affects Northern Ireland.

Chair: Mr Paisley, we have heard the point. The only rejoinder I would make is that it would be slightly eccentric to ditch a protocol four or five days into its operation.

Ian Paisley: I am quoting back to Seamus and Victor key issues that their members are telling me. After six days this is how bad it is, and it is going to increase.

Chair: It may not. That is a pessimistic view to take. We need to keep a close and weather eye on this. This is why I am inviting all of our witnesses to keep us informed in real time, as it were, of issues that they would like to raise with Ministers.

Q391 Mary Kelly Foy: Happy new year, folks. There are an awful lot of problems and it seems that it is chaotic at the minute, but hopefully that can smooth out before 31 March and we will not have to invoke Article 16. The question I was going to ask is that, given those problems, do you think businesses in Northern Ireland will alter their supply chains as a result of the protocol? Is this one of the measures you think they will take?



Aodhán Connolly: That has already started. There is a very simple rule in all this, Ms Kelly Foy, and that is that the supply chain will always take the path of least resistance. That will be quite good for those of us in Northern Ireland who produce food and other items that will be used. It means that there will be some product substitution towards Northern Ireland goods, which should be good for us.

We need to get a few more things ironed out on the protocol. You have to remember that the protocol and what stems from it are a living document and the Joint Committee will continue meeting. We will continue to go back to them and say, "Thanks very much for what you have given us. Now what else can you do?" There is a large amount of work that needs to be done on simplification of everything from customs to SPS checks and certificates.

There will be a bit of displacement, and there will be a bit of rebalancing of supply chains. One of the things that the Covid pandemic has proven as far as supply chains are concerned is that retailers are very adept at moving supply chains very quickly, to make sure that our shelves are full, and that the just-in-time supply chains are hugely time and money-efficient, but they are also fragile. That is why we want to continue to push for as much simplification as possible, so that we can continue having that just-in-time supply chain and the benefits it brings to the Northern Ireland consumer.

Q392 **Scott Benton:** Good morning to all of our witnesses. Mr Chestnutt, are you satisfied with the decision reached by the Joint Committee in relation to the level of agricultural subsidies for Northern Ireland?

Victor Chestnutt: Subsidies are one thing, but we really need a market. Our market is our main place. We are probably satisfied enough with the subsidy thing provided our markets do not fail. Our market is the biggest challenge we have, because, while the subsidies are very important, we must have a market for our produce. The UK is our main market, and any barriers or extra expense getting there will come off our bottom line. There are only two places that any extra expense in the supply chain comes off, and that is either the consumer at the end or the producer at the start. They end up picking up 100% of any extra cost between them, and this is extra cost, so we are concerned that it will come off our bottom line.

Could I take the opportunity of going back to Ms Foy's question on supply chains and disruption? Supply chains will change. There could possibly be opportunities there for Northern Ireland. For instance, Henderson started this week to go to Sainsbury's and provide some produce to them. We could see a small spin-off from that.

Let me take the animal feed import system. Northern Ireland is a livestock-intense sector, so we import a lot of grains. Normally, a lot of those grains would have come from the UK mainland, from Scotland and



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England, basically. Last year we took in a lot of wheat and maize from Ukraine. That wheat and maize came in on a European trade quota.

At the minute, because of this arrangement, we are in a UK customs zone, so any wheat we take in has to come in on a UK trade quota. When we import that into Belfast, it is classed as an at-risk good until it can be proven that it has not gone over the border, so it incurs a tariff. The amount of that tariff on last year's figures would mean that there would be £2.5 million of tariff to be paid. This year we would expect it to be higher, because the grain harvest was not so good in the UK mainland because of the drought earlier in the season.

There is supposed to be a rebate system. That rebate system is still not set up, so our animal feed mills that are buying that grain are scared to order it at the minute. They have to order two to three months in advance. They are scared to order it because of that rebate system. They do not know what it will be. They do not know how long they will be outwith that money. It amounts to about £85 a tonne. The UK mainland has lost out, because in the last couple of months they were not buying some of that produce because they were not sure how this rebate system was going to work. They really need to know answers to that quickly.

I had thought that we could either go and bring grain in on the EU quota or the UK quota, but that is not working. We are not getting to ride both horses. We are put in one for one way and put firmly in the other for another one, so that could cause a big difference. If that same Ukrainian wheat or maize came into the UK on a UK quota, it would not incur any cost, and the same if it was coming in on an EU quota—

Chair: We lost you, I am afraid. We could see your mouth moving but we could not hear what you were saying.

Victor Chestnutt: What I was saying is that regulations can and will change trade flows. Sometimes that could be to our benefit, but mostly it would probably be to our detriment, especially on animal feed, where the UK mainland could import feedstuffs from Ukraine on a UK trade quota with no cost and the south could import it on an EU trade quota with no cost, yet here in Northern Ireland we are going to have extra costs.

Q393 **Scott Benton:** I have just one quick follow-up. Again, it is a question to Mr Chestnutt. Notwithstanding the immediate problems you have just outlined with regard to the protocol and access to markets, I am sure you welcome the fact that Stormont can now, post Brexit, develop its own bespoke farming policy. What particular opportunities, both for your members and for the sector across Northern Ireland as a whole, do you think this might be able to bring?

Victor Chestnutt: Northern Ireland is different in our family farm structure, our family farm size and, indeed, our output. We are very proud of our output here in Northern Ireland. Northern Ireland is a region of 1.6 million or 1.8 million people. We have 24,000 farm businesses.



Many of them are very small and part-time, but we produce enough food for the UK to feed 10 million to 11 million people. We are very proud of that fact. To continue that, we would like to be able to deliver that farm support in a bespoke way that suits our small family farms, notwithstanding we need to look after our environment. We have more hedgerows than nearly anywhere else in the UK, and we like to keep the environment side.

Chair: You clearly have not been to North Dorset, Mr Chestnutt.

Victor Chestnutt: Yes, you have them down there, but you are splitting up into very small segments; I am taking England as a whole. We beat you as a whole. The family farm structure in Northern Ireland is one of farm owners, and it is not uncommon for people to be the same as we are here, in that we have been here on my farm for five generations. The effect is that you want to leave your farm to the next generation in better shape, both economically and environmentally, and Northern Ireland farmers will not be found wanting when it comes to the environment either.

Scott Benton: Thank you for your answers. It is good to hear an optimistic message, hopefully, once we get over the immediate problems of the protocol.

Chair: We are still reading the computer handbook, are we not? It would be daft to throw the computer in the bin because we have not read all the handbook. Mr Campbell is a man who reads his handbook.

Q394 **Mr Campbell:** It is quite a long one as well. I will specifically target my question to both Mr Leheny and Mr Connolly. I am not leaving Mr Chestnutt out, but my question is about issues that arise via the deal and the protocol for businesses' parcels and communications moving from GB to NI.

Mr Connolly outlined the fact that we are just in the first week and it is a quieter time of year anyway. One would presume that the various stages of lockdown in different parts of the UK are probably suppressing business a little more as well, so it might be the case that in three or four months we will be significantly busier at the ports than we are now, possibly in three or four weeks.

It seems to me that, if there is something that is damaging business between GB and NI—there is no doubt that business is being damaged at the moment, one week in—you either remove it or negate it. You have to do either of those two, because, if you do not, the problems will only grow as business goes back to normal, hopefully. Mr Connolly and Mr Leheny, with the issues now in terms of GB-based businesses moving goods and parcels, so Amazon and all of that type of business, do they think that the current status on 6 January is diminishing that type of business, precluding it or what, as a result of what happened on 31 December?



Seamus Leheny: All the major parcel companies would be members of ours, as would a lot of the e-commerce providers in GB. The grace period was welcome. We have this grace period if you are sending parcels from GB to Northern Ireland and it is going from business to consumer. There is a grace period in which there is no need for any customs or declarations for that. That is welcome, and we would like to see it extended beyond the grace period as well. We are hopeful that the EU-UK Joint Committee can agree a long-term sustainable solution.

Q395 **Mr Campbell:** Mr Leheny, the problem there is that some of those companies are not aware of it, as we have just heard.

Seamus Leheny: I agree, Mr Campbell. The communication on this was very poor. On New Year's Eve we were getting this. We were sharing this with our members. Indeed, I was contacting members in the parcel sector and forwarding them the information, and they were not aware of it. It has been alluded to earlier that a lot of them suspended services to Northern Ireland. That has been publicised. It takes a while to get the gears back in motion again, but they do intend to reinstate. Anyone who did suspend services will be realigning and getting the services up and running again back to Northern Ireland.

The one bit of customs we have to do in parcels at the moment, which we want to fix, is business-to-business parcels. If a business in GB sends a parcel to a business here in Northern Ireland and it is valued at £135 or more, there has to be a retrospective declaration made within three months of the date of delivery. Again, we would like to see that sorted before the period of three months so that we can get a long-term solution, because it does not help small microbusinesses in Northern Ireland that rely on those types of products coming here.

Aodhán Connolly: There are going to be teething problems. You are talking about a fundamental change in how we do business. Communication has been a large failing in this. That is why we have asked the Cabinet Office, the Northern Ireland Office and our colleagues within the Stormont Departments to be shouting from the rooftops about what those in Great Britain should be doing if they want to send things to Northern Ireland.

You mentioned parcels. We simply did not have the guidance until about 12 hours before the changes came in. It is impossible for businesses to be ready with 12 hours' notice. They are making the best of it. We have a grace period and, within that time, one of the things the Northern Ireland Business Brexit Working Group has asked for is that the Joint Committee meet and that the EU and the UK sit down to try to work out simplifications to make this better. As I said, the protocol is a living document. The deliberations of the Joint Committee are ongoing and there can be simplifications made.

As your party colleague, Mr Paisley, said, when it comes to the grace periods we should all be using that time wisely instead of slashing our



wrists and telling our own community that all is lost. I agree with him wholeheartedly on that. We must use these three months wisely to make sure that whatever happens at the end of April is a better situation for business, both in Northern Ireland and for those in Great Britain who are bringing goods into Northern Ireland.

Q396 **Mr Campbell:** I would not like to describe it as a false dawn, but we are in what the Chairman called a lacuna. We are in an unreal position now because January is so quiet normally, and this January is even quieter than previously. I agree with you that we have to prepare in that three-month period, but we need to understand the scale of the likely problem six or eight weeks from now, when business has the issues ironed out in terms of the problems, the knowledge and the awareness of the three-month period.

Once we are over that hiccup, if that is what it is, we then begin, I would presume by the end of February or the beginning of March, to see the scale of the problem. I come back to the point that we either negate it or remove it, because, if we do not do either of those two things, the problems that we have now will be multiplied severalfold in six or eight weeks' time. Do both of you agree with that?

Aodhán Connolly: I agree we have to be working to negate this and to remove the barriers. At the start of my evidence I was able to give you an update for wider than just my own industry, and that is because the Northern Ireland Business Brexit Working Group continued to work throughout Christmas and the new year, looking at the issues and putting forward solutions. We have already met some members of the Northern Ireland Executive on this. Some of us are meeting the Chancellor of the Duchy of Lancaster tomorrow on this. We are taking this very seriously. We are continuing to bring not just problems but solutions. At the moment it is a bit of a whack-a-mole. Things are popping up and they are having to be dealt with.

You can rest assured, Mr Campbell, that business is working as hard as it can with Government to make sure they are aware of not just the problems now but what the future problems might be. We are working to find solutions to that. That will have to be through both the EU and the UK at that Joint Committee. We are not just accepting this. It is like *Oliver Twist*: we are continually asking for more. That is the guarantee I can give to you. The business community in Northern Ireland will be as pragmatic as possible, as we have been over this past three years.

Seamus Leheny: I am working with major parcel operators. We are giving assurances to the Government and the EU that they can manage these supply chains. A derogation beyond the grace period should be given, where unfettered access for parcels in Northern Ireland should continue. The parcel companies can assure the Government that there will be no leakage of these goods going to the EU or anything like that. There is no reason. On one trailer carrying parcels into Northern Ireland, you could have upwards of 6,000 parcels. It is in no one's interest. All it



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does is create costs and a huge amount of admin for everyone involved. No one wants to see that.

Q397 **Stephanie Peacock:** Good morning. Happy new year to everyone. Does the agreement of a zero-tariff trade deal avoid the danger of goods moving from Great Britain to Northern Ireland being considered at risk?

Aodhán Connolly: For the majority of goods it does. The significance of that was slightly diluted by the fact that, on 8 December, the EU and the UK, led by Vice-President Šefčovič and the Chancellor of the Duchy of Lancaster, agreed that 98% of traders would not have to pay those tariffs anyway.

Where “at risk” comes into play is if there is cumulation. That is if goods come in, are changed in a significant way and then go into the EU market. As Mr Chestnutt said earlier, there are still questions about whether there would be a rebate scheme and what the test for that would be.

The zero-quota, zero-tariff deal is a very good thing. I was very quick to come out of the traps and laud it for what it was, which is a very significant and welcome step. However, it does not do away with the customs formalities. You still need your customs codes. You still need your Meursing codes if your item falls within that.

Going back to your question about what is at risk, we are still trying to work out exactly how that cumulation test works, but be in no doubt that having a zero-zero agreement is something that we had asked for and does have a significant bearing on how we trade.

Seamus Leheny: I agree with Aodhán on that. It certainly eased some of the burdens in terms of the at-risk status of goods coming in here. That is something we would emphasise with regard to the previous example I gave about parcels coming into Northern Ireland. There is minimum risk now, so there should not be a need for declarations, especially for consumers in Northern Ireland receiving parcels.

Victor Chestnutt: Certainly, the zero-tariff, zero-quota deal did negate a lot of those problems, but it is still not completely finished. To go back to animal feed, something that comes in on a UK trade deal and then comes into Northern Ireland is at risk of passing into the EU, so therefore those tariffs have to be paid. We need sight of that rebate system immediately.

The other thing that is at risk is that in a lot of Northern Ireland there was traditionally a trade in breeding sheep that were bought in September at those specialist sales. Those sheep had to stay until they were a year old, until they were tested for a disease called maedi visna. You could not test blood samples for that until they were a year old. In practice what happened is that those sheep were bought by Northern Ireland flock owners in September, tested in March and brought in in April.



Because the UK moved away from the EU, the requirement of coming into the EU is that they have to be scrapie-monitored. These sheep are not scrapie-monitored. There are very few scrapie-monitored flocks in Scotland, so therefore they are sitting in limbo land. Even though we have a traceability system whereby they come to Northern Ireland and they can be fully traced, they are not permitted to come in. We have a situation where we have Northern Ireland flock owners who own sheep in Scotland that are there grazing over winter and there is no way home for them. That is where we would like to see a bit of movement.

The grace period was wonderful for the supermarkets, retail and things like that. We did not get a grace period. These farmers who went over in September, as they do every other year, were not told, "If you buy these sheep, there may be no way home." They had no idea of that, so they continued carrying on their business as they have done for generations, and now they are sitting in this limbo land with sheep owned by them in Scotland.

The letter we got from the UK Government said they should sell them in Scotland, but that does not take into account that these are specialist sheep sales that occur once a year. It is just not an option to go down to your weekly local market to sell these sheep. That is a very real problem we have in Northern Ireland at the minute.

Q398 Stephanie Peacock: Thank you for those thoughts and particularly that example. My next question is in relation to the UK Trader Scheme. I know in answer to one of the earlier questions some of the witnesses spoke about a few of the issues and the delays with that. Following the agreement of the deal, has the UK Trader Scheme become less important?

Aodhán Connolly: Because of the zero-zero deal there is less emphasis on it, but it is going to be important for goods that are still seen as at risk—the cumulation point I mentioned earlier. Also, as the Joint Committee makes deliberations, it is going to be very important that there is a way of quickly identifying those businesses that will be moving goods to Northern Ireland, so that, if there are any further simplifications, mitigations or derogations that come through, the people who need to avail of them can be quite easily identified. The UK Trader Scheme is a perfect vehicle to do that.

Q399 Stephen Farry: Good morning to all of our witnesses. You will be glad to know I am going to avoid the temptation to rehearse the reasons why we have the protocol, but I just want to agree with Mr Connolly's final point that we have to see the protocol as an evolving piece; we are not fixed at a point in time in terms of the end of December. There is ongoing work to be done, not just this year but into the future, around more and more mitigations and flexibilities.

My main question has largely been addressed. It was around what information has been given so far in relation to what the Government are



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going to do around rebates and waivers, in terms of the areas where there is still potential for some degree of tariff to be levelled. I know Mr Chestnutt largely answered that, but if Mr Connolly or Mr Leheny want to pick it up and give it a bit more detail, that would be useful.

Beyond that, not to ignore Mr Chestnutt, I am going to ask a slightly different question in relation to tariffs, which is around the access to European Union trade deals in terms of movements southwards, given we have a very integrated supply chain on the island of Ireland in agrifood, particularly in the dairy sector. There has been a lot of concern that, due to some of the EU trade deals, some of the Northern Ireland parts of that supply chain will be excluded from the market. Have we seen any evidence of that to date, or is it still too early? What more can we do to try to lobby to get an answer in that respect?

Victor Chestnutt: I will come in first on your last point, Mr Farry, and it is a concern of ours. To date we have not seen any issues, but we are watching it very closely. I will be a lot more content at the end of January if trade flows are continuing as they are. I can see it from the EU's point of view. It does not want to open up these trade deals, go to another country and say, "We have to include Northern Ireland," because those other countries will be looking for something back in response.

On the issue of milk, the factories that process our milk south of the border do not have the facilities to segregate milk, so their milk becomes mixed origin. Some of those we talked to said they had contacted the countries they send the milk to, and the majority of those countries were content that it was milk from the island of Ireland. One company said there were a few countries to which they send very small amounts that were not happy, and they just struck them off their books because they were not significant volumes anyway. Milk is probably the big one.

The other one is sheep meat. About 40% or 50% of our lambs produced in Northern Ireland go southwards. When a lamb goes south for slaughter, it is like taking a car down and dismantling it. The bits all go in different directions and to different places. There is a lot of market for that sheep meat. The main part is still Europe, whether it be France or other countries in Europe, but there are a lot of parts of that sheep that are not eaten in European cultures; they go to the Asian market, as well as Israel and places like that. We would be concerned there about any resistance to parts of our lamb going out because they were produced in Northern Ireland. Only time will tell. January, February and March is the slackest time of the year for lamb exports south of the border. When we get into June, July, August and September, that is when the numbers are there, so we are watching that space.

You asked what we can do. I am not sure that there is a lot we can do. Raising it has given these countries the opportunity to say, "We want something else back in return." It is a watching brief at the minute, but we are concerned. I will be a lot more content at the end of January when



we find out there is no hiccup to trade going south. I hope that answers that.

Q400 **Stephen Farry:** It does, Mr Chestnutt. Before Mr Connolly and Mr Leheny come in on the issue of tariffs, could I ask them both to address the issue about the interaction with the south of Ireland, in terms of what has been happening with the flows on the Holyhead-to-Dublin line in terms of supply from Great Britain to Northern Ireland via the Irish route? I believe there have been some problems there as well; it would be useful to get some articulation of those on the record, too.

Aodhán Connolly: If I talk about the tariffs and the rebate, I will then hand over to my colleague, Mr Leheny, as far as the Liverpool and Heysham movements to Dublin. Quite simply, we have not had the notification yet of what that rebate scheme will be and what it will look like. One of the things that we have been pressing on this is that it needs to be very quickly rebated, quite simply because it then becomes a cashflow problem for those businesses that are affected. Because of the zero-zero deal that is in place, it will be a tiny amount of businesses that are affected by this, but, in saying that, that is a tiny amount of businesses that will still want to keep a viable cashflow. Therefore, we wait with great interest to see what that rebate system will be.

Seamus Leheny: Dublin is important for Northern Ireland businesses. It is the fastest route to market to the south of England. That is why that route is so popular, especially with the just-in-time food products being exported to the south of England.

The problem at the moment is that we have been given unfettered access to the GB market from Northern Ireland, but only when you ship directly from Northern Ireland. That does not apply to Dublin-Holyhead. You have to do an export declaration with Irish Revenue in Dublin and then import formalities at Holyhead. We have continually pushed HMRC to seek agreement with Irish Revenue for a transit facility. It has not been agreed as yet.

At the moment you can only do transit via Dublin-Holyhead if you have an authorised consignee address in Northern Ireland. That is quite a burden for any company to try to attain. Before you even get that accreditation, you have to get a temporary storage facility accreditation from UK Border Force, so there are quite a lot of hoops to jump through. It is only a solution for some very large businesses. We need a transit solution that means Irish Revenue will interact with the Trader Support Service and HMRC and share data, which would enable Northern Ireland goods transiting in Dublin to utilise the full transit facility, where you do not have to go to an authorised consignee address and you can end the journey wherever your delivery point is in Northern Ireland.

I have certainly spoken to one of the shipping companies that operate on the Irish Sea and in Dublin, and they had discussions with Irish Ministers yesterday. I have pressed the need to find a solution for this as soon as



possible with the Irish Government, even just for their own commercial interest. What we do not want to see, and what I am sure Dublin Port does not want to see, is freight displacement. The Department for the Economy here in Northern Ireland estimates that 20% of the roll-on, roll-off freight using Dublin Port is actually Northern Ireland produce.

If we build a wall to those movements, with fettered access to Holyhead, the problem that creates is that the traffic might have no option but to come north and go out through Belfast, Larne and Cairnryan. That creates capacity issues and problems with the delivery times, because then drivers go over their driving hours rules going down into the south of England.

Q401 **Mr Goodwill:** Mr Connolly, we have heard about the grace periods for the big supermarkets extending to 1 April or indeed, for meat, until 1 July. We have also heard that it is possible that that could be extended through discussions in the Joint Committee. First of all, which companies are benefitting from that at the moment? Initially, we heard it was going to be the three big supermarkets, but Edwin Poots gave evidence in Stormont saying that he thought there could be 14 or 15 companies, not three. Where are we at the moment in regard to the availability of that?

Aodhán Connolly: There has been a bit of a misunderstanding because it was called the supermarket solution. That was not our term, but it came into common parlance. It is much more those people who are suppliers to the food sector, as well as the supermarkets, the convenience guys and some of the wholesalers. I do not have a figure to hand, but it is much wider than the five supermarkets that service Northern Ireland.

Q402 **Mr Goodwill:** That is good to know. Are there any companies that have been left out and left at a competitive disadvantage from that, because I presume it is a finite list? Have you had representation or do you know of companies that feel they have been left out unfairly?

Aodhán Connolly: There are continuing negotiations about that list. The list officially closed at the end of December. You have to remember that this is not just who can avail of the three-month derogation from export health certificates, which are costly; it was also a sign-up for the Movement Assistance Scheme, which means that a reasonable cost, up to £150 ex VAT, can be paid towards export health certificates in the time going forward.

We are yet to see what the budget for that is going to be, but we have been pushing, from the first time it was mentioned, to widen this out as clearly, as widely and as broadly as possible. At the moment I have not heard of anyone who is tearing their hair out. It is early days yet. What I can say is that it is something that I will be bringing up with DAERA and Defra, and with the EU as well when our meetings with them resume in the next couple of weeks.



Q403 **Mr Goodwill:** Would it be a realistic ask to make this a semi-permanent situation, or is it, by its nature, always going to be a workaround interim measure?

Aodhán Connolly: Northern Ireland is administering the EU single market regulations. When you are a third country moving things into the EU, then EHCs are a necessary evil to protect that single market. One of the things that we have been able to do, even before the zero-zero TCA was agreed, was to get the fact that 98% of traders would be not at risk. If we could do something similar on SPS and on export health certificates, it would remove an awful lot of the cost and friction and would keep costs down for Northern Ireland households. At the moment that is not on the cards, because it would be a major derogation from the single market regulations. However, I will keep going back to the point that the protocol is a living document. There will be deliberations through the Joint Committee, and we will continue to push for that.

Whether they can look at a wider, longer derogation based on the three-month grace period, we simply do not know. A lot of that is going to be based on trust that is built up over those first three months in terms of how the protocol has actually been implemented. We will continue to raise those points.

Q404 **Mr Goodwill:** Is that likely to change in the future? If we, say, sign trade deals with other countries around the world that perhaps have as high standards but not the same standards, would that make it more difficult to continue with these arrangements?

Aodhán Connolly: All the horror stories about hormone beef and chlorinated chicken will not come into Northern Ireland anyway, quite simply because they are against the single market rules. When we were talking about the TCA, it is not a free trade agreement; it is really an association agreement under Article 207 of the TFEU—the Treaty on the Functioning of the European Union. If we had had in that veterinary agreement something like what the EU has with New Zealand, there would be very few checks.

If there is severe divergence, those checks get harder. If there is convergence in the future, then those checks get fewer. That is really the situation that we are faced with. If in the future the UK regulations go further than the EU, there is a chance to relook at what checks would be needed, but that, again, is in the future. All is possible, but it just depends on that level of divergence.

Q405 **Mr Goodwill:** That is understood. It was always assumed during the Brexit debate that we would have lower standards. Every evidence is that we could have higher standards, but they would be different standards and that could be used as a barrier to trade.

Aodhán Connolly: Standards can be equivocal, but it is about whether or not you recognise those standards. Coming at it from a legal background, everything has to be done through a legal framework, and it



is not good enough just to say, "Our standards are better than yours," or, "Our standards are the same as yours." There has to be a legal framework within which those standards are recognised, as well as the qualifications of those people who are administering those tests and standards.

Q406 Mr Goodwill: Mr Leheny, Mr Connolly has just touched on the Movement Assistance Scheme. Do you feel that will meet all the costs associated with moving agrifood goods into Northern Ireland, or is it likely to fall short? I take on board the point just made about delays in payments and cashflow problems, but is it expected that it will pick up the full cost?

Seamus Leheny: It only picks up the cost of export health certificates. It covers the cost of the EHC and the travel expenses of the official carrying that out. What it does not cover is the administration of inputting data into the TRACES system. There is still the admin time and cost of that. As Mr Connolly said, 65% of freight into Northern Ireland by value is agrifood products and products destined for retail and wholesale overarching, so it is vital that we get a long-term solution to the movement of such goods coming in here.

Q407 Mr Goodwill: Mr Chestnutt, as a farmer myself, I am very concerned about the threat to the pedigree breeding sector. I know you are a Texel breeder yourself. To what extent does the Northern Ireland pedigree sector rely on sales into GB and exhibiting at shows in GB to show off your wares? Is it going to be the writing on the wall for the UK pedigree sector, or for the Northern Irish pedigree sector at least?

Victor Chestnutt: I would just make a wee return to your initial question about the Movement Assistance Scheme; you asked if anybody felt left out. We are hearing it from our Livestock and Meat Commission, where our producers are having to provide this support health attestation document, and the Movement Assistance Scheme does not provide them any help in paying for that. For product that moves from Northern Ireland to the UK and, for some reason, has to come back, for that form to be filled on the UK side it has to have that SHA document. That is a veterinary cost to the business in Northern Ireland. Basically, what they would need to do is send out one of those with every consignment, in case for any reason some of it had to come back. They feel left out, and that is not covered as part of the document that needs to be sent from the UK. They are concerned that they are being left out from that Movement Assistance Scheme.

To move on to the pedigree business, I do not have economic figures for you, but I can say that Northern Ireland punches well above its weight as a region and it is probably a result of our small family farms and more attention to detail. If you go to the highland show, for instance, the number of Northern Ireland cattle and sheep that are exhibited, and the prizes that they are winning, are well above the equivalents of the south of our region.



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I have exhibited cattle and sheep myself in Scotland from time to time. It is a shop window. That window is completely closed for the shows. I fear that, with the shows and sales, because you are stuck with no way home, while you intend to sell, you are over a barrel and you will not be able to operate in that marketplace. You are very aware that breeding is a pyramid, and the top breeding sales of any breed tend to be in the UK. We need to be mixing in the very top of that pool to keep Northern Ireland genetics to the fore.

A breeder was on the phone to me from the Limousin Cattle Society. He is a man from Upperlands, James McKay, who is right at the top of the game among UK Limousin breeders. I would say he is probably No. 1 over the past 10 years. His farming business is built on that trade, and it is in danger of stopping, so we are very concerned to get some kind of easement. It should not be impossible. Doing that standstill back in Northern Ireland would solve a lot of those issues.

Q408 Mr Goodwill: What would be the situation if you were to buy a Scottish-bred ram at one of these sales in Scotland? Would that ram be able to come into Northern Ireland, whereas the ram that you took across to sell that did not get sold cannot come back? I am just trying to work out the logistics.

Victor Chestnutt: On the ram side, we have a problem that they have to stay for 60 days. Rams are a seasonal breeding thing, so you have missed the total breeding season 60 days after sale. On the bull side, if it came from a UK farm, it is 30 days and it has to do its test to come in. That is as is now, and because bovines breed all year round it is not as big an issue.

I sell, as you rightly say, pedigree Texels. Believe it or not, I remember taking five ram lambs to Scotland—I know this sounds crazy—and four of those were bought by Northern Ireland breeders to come back home, but those guys were bound set on going to the top sale in the UK to source them, and I had to go over there to measure up with the rest for them to buy them. If I had kept them home, they would have never bought them off me, if you understand.

Q409 Mr Goodwill: There would not have been all the English and Scottish bidders around the auction ring to push up the price either, would there?

Victor Chestnutt: That is right. They will miss the Northern Ireland bidders as well. We want to operate in our UK mainland. It is to the good of breeding animals, which the UK is known for worldwide. In fact, if you go back in history, we have exported all around the Commonwealth and the whole globe, and Northern Ireland wants to continue to be part of that.

Q410 Ian Paisley: I want to go back to spuds and praties. Mr Chestnutt, as you know, we bring in about 40,000 tonnes of ware potatoes each year. Up until a few weeks ago they were basically going to be stopped as a



result of this protocol, but thankfully, with a wee bit of browbeating, the EU agreed a derogation at the last moment and we can now get those potatoes through. Seed potatoes are in a similar position, but I am wondering if you see the seed potatoes issue as an opportunity for farming in Northern Ireland to actually benefit, or do you think that seed potatoes should be treated the same way as ware potatoes?

Victor Chestnutt: We are dismayed that there is a difference made between the two, but our farmers do see an opportunity here. We are an island off an island. We probably have a shorter growing season than they have down in Lincolnshire, and maybe smaller field sizes. Seed potato is in the ground less time than main crop, so we see that as an opportunity, but we must keep the health status up, and that is where some of our potato growers are quite concerned about ware potatoes coming in. They are not worried about them coming in, but they want them to be fully checked, because there are diseases in the mainland, like brown rot and ring rot, that are not prevalent in Northern Ireland. They would be very keen that any by-product of that potato is watched very carefully so that we do not introduce those diseases into Northern Ireland by bringing in those ware potatoes.

Q411 **Ian Paisley:** We have demand and we do not grow enough potatoes, funnily enough. Would you agree that, if we do not bring in those potatoes from England, we would have to bring them in from Holland or France? That would impact on the UK's market detrimentally, but more importantly we would also bring in diseases from those countries.

Victor Chestnutt: That is correct. That would be no better. If you go back, Mr Paisley, to your own area of North Antrim, where I am from, in the Ballymoney and Dervock area there used to be a potato factory in both places. There used to be a pile of local farmers around there growing potatoes, and one by one they have all disappeared until there are only two or three specialist growers. Probably competition with field size had something to do with it, as perhaps did weather a wee bit. I know our processors would claim that they can get higher dry matter from the potatoes in England with slightly better weather, but some of our potato growers would not agree terribly well with that. They think it is a price thing and, because of the scale in England, they are able to outprice them.

Bringing them from Europe would be no better than bringing them from the UK. We do not want them stopped. We just want the phytosanitary checks at the port to be very rigorous, to make sure we do not import that disease.

Q412 **Ian Paisley:** As you know, there has been an outbreak of bird flu or avian flu, and it has caused some slaughter issues in County Antrim. I just want to give you an opportunity to echo the call that we need more biosecurity than ever before on our bird farms to protect the industry and to protect against a spread of this disease.



Victor Chestnutt: Yes. Unfortunately, we had a bird flu outbreak just a couple of days ago. On Saturday night it was confirmed with the AFBI results. They are waiting for the results that were to come through this morning from the England lab. Unfortunately, last night we had another case, confirmed by the AFBI results, between Lisburn and Moira, so these are very concerning times.

One of the things that we need to get out there to the public is about these backyard flocks. With lockdown, believe it or not, keeping four or five hens in your back garden became very popular. It is now a legal requirement to keep them housed. This disease is in wild birds, and it is easily transmissible to poultry that is kept for human consumption.

Our poultry farmers have been extra vigilant. They are the best industry in Northern Ireland for biosecurity. I have been on a poultry farm and you had to change your boiler suit and plastic overshoes every time you went into a house. When you came out you took it off, put it in the bin and put on another set before you went into the next house. They are excellent as an industry, but unfortunately this has got in. There are 18 cases in the UK mainland as well, so we are not on our own on that one, but it is a concerning time for a poultry industry that is very good in Northern Ireland.

Ian Paisley: Mr Chairman, could I ask just one further question? I was reading in the *Guardian* this week—

Chair: Sorry, we just ought to pause there. You were reading in *The Guardian*?

Ian Paisley: I mean the *Ballymena Guardian*. Sorry.

Chair: I do not have to take my tablets. Good.

Q413 **Ian Paisley:** I was reading in the main paper. Mr Chestnutt's new year's comments were very upbeat about farming and about an increase in farmgate prices over the last 12 months. There was a call to make the most of the opportunities that are now presented as a result of the deal that we have. You very much seem to be in a place that there are huge opportunities here for farming. Is that right, Mr Chestnutt?

Victor Chestnutt: Yes, I am always upbeat. We are a resilient bunch. As I said earlier, I am the fifth generation in this same farmhouse. You cannot say we are not resilient. We will take what is thrown at us, try to see a way through and try to get on with it. Any help we can get along the way is certainly appreciated, but there will be opportunities. The population of the world is growing and we are food producers, and we are environmental stewards. The public are getting more interested in the environment. They cannot get the environment looked after without farmers.

Q414 **Chair:** I am keen that we do not necessarily have a dissertation on the merits of farming, which takes us slightly outside the remit of this



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inquiry, but, Mr Chestnutt, you have not said anything with which I disagree. I just want to turn to Mr Leheny, please. Can I just ask him this question, and possibly Mr Connolly will have a thought or two on this? A vehicle with stuff leaves GB with the correct paperwork and arrives in Northern Ireland. Taking that as an assumption, how are the ports in Northern Ireland coping with handling the new systems?

Seamus Leheny: The ports themselves are coping fine. There are no reports of delays at terminals. If there is an issue with the load, they will simply redirect it to the border control post at each relevant port, but at the terminals themselves traffic is moving freely and goods are arriving unhindered.

Q415 **Chair:** Has the EU's presence been felt at all in the policing, and in the supervising of the policing? I know that was a concern in part of the debate.

Seamus Leheny: At the border control posts it is no secret that there are EU officials on the ground monitoring. From speaking to officials here, they have taken a hands-off approach. They are simply watching. There is a lot of leniency being given for the time being, because we expected teething problems with this. We need that to continue. Like I said earlier, the DAERA officials are a credit to themselves and their Department, because they are working to resolve these issues when they happen.

Q416 **Chair:** I am sure the answer to this question is going to be yes, but I am going to ask it anyway. Are you confident that the GB ports will be vigilant, if the paperwork is either not correct or not complete, in not allowing vehicles on to ferries? Should we be concerned at all that somebody will just say, "Get on, and then you can try to sort it out when you are over there"?

Seamus Leheny: At the moment the protocol means that you have to have a valid GMR—goods movement reference—to have access to the terminal for departure, so the ferry company cannot let you on.

We do have concerns around adequate facilities for drivers. We are getting reports that a good proportion of vehicles are arriving not prepared, but they are returning and the issue is being resolved. We need to make sure there are adequate facilities for those vehicles to park up, but also for the drivers' welfare. We saw just before Christmas in Kent that those drivers need adequate sanitary facilities, et cetera.

Chair: That is a very good point, and certainly the scenes in Kent were pretty basic and pretty horrible. Let us turn to someone who is neither basic nor horrible, Claire Hanna.

Q417 **Claire Hanna:** What a segue, thank you very much. Thank you very much to our witnesses for the information and the forbearance over the last few hours, weeks and years. We really appreciate how solutions-focused you have been throughout this whole process in picking up lots of messes that were not of your making and trying to ensure that supply



and opportunity for businesses. We are all very grateful to you for that.

You have covered my question in part. I had intended to ask you about businesses and traders and their readiness for their obligations under the protocol. You have spoken about the larger networks and businesses, but are there businesses out there that do not know what is expected of them? Are they waiting for the dust to settle, or is there more communication required?

Aodhán Connolly: In preparation for this I spoke to the wider Northern Ireland Business Brexit Working Group membership, and the FSB was at pains to point out that some of those small businesses are policy-aware and that they are not hearing too much from them, meaning that things are progressing in the way they had wanted. However, there are some smaller businesses, especially the microbusinesses, that simply do not understand what they have to do. They have never been importers before. There is still a body of education work that needs to be done, and it is not just the microbusinesses. There are still people who misunderstand what a grace period is and that it is only on export health certificates. Some people thought it was on all customs and that, basically, it was a free-for-all. There is still that body of education to be done, especially at the microbusiness level.

It is also on the Great British side. In GB there are some large and small businesses that are not yet fully equipped with the information they need. One of the big asks that we have of the Government, and one of the things we will be bringing up with the Chancellor of the Duchy of Lancaster tomorrow, is that we need to do another communication trawl to make sure that we get through to the people who have, for one reason or another, fallen between the gaps.

Q418 **Claire Hanna:** Can you give us an update on the business forum that the Secretary of State set up?

Aodhán Connolly: We had a meeting of that last week, which was to bring us up to speed on what is in the TCA, and, as always, it was very useful. What usually happens at those is that we are all given a few minutes to give our opinions and ask a few questions. Then in time, over a few days, the Northern Ireland Office bods get back to us with stuff. There are no other ones in the diary at the moment. We have that meeting with CDL tomorrow, but one of the things the Business Brexit Working Group will be asking for from the Secretary of State is more workshop-based BEF meetings, so that we can really get into the nitty-gritty and look at the art of what is possible in the future.

Q419 **Claire Hanna:** That is what I was going to ask. I know the Chair has requested that you kindly keep us informed on a rolling basis, but are there other ways of engaging and informing that will be helpful to you as we try to implement and interpret? Are there suggestions or are there systems of communication that are not in place but should be?



Aodhán Connolly: We need to have access to the Joint Committee working group. It is us in the business, farming and civic sectors who are delivering on what is in the protocol. We do not have a formalised way to feed into the specialised groups, the Joint Committee working group and even the Joint Committee itself. That is not saying that we do not have good communication with Europe; as you know, we talk to them quite regularly. There is a big difference between putting a paper in and being able to give evidence, as we are doing today, which is not only useful for the members but is useful for us as well, to be able to highlight and put particular emphasis on those points that are concerning us. We really need to see a more formalised Business Engagement Forum and a more formalised process to engage with the specialised committees and the Joint Committee working group.

Seamus Leheny: A lot of the SMEs, which make up the majority of businesses here, are relying on their hauliers and their logistics providers to keep them right on this. Like I outlined earlier, those businesses are facing a real challenge, so we need to see two things actioned. We need probably more Government. The Trader Support Service is receiving £355 million of Government funding. We need to make sure we are getting value for money on that, and I would implore the Government to make sure the TSS is delivering as best a service as it can right now, because we are really under pressure. SMEs are relying on TSS to help them through this.

Also, we need to get targeted support for the haulage sector in Northern Ireland, because they are really at the coalface here. They need some support to get some expertise and some specific training. Some are doing okay. Some are getting through this okay and coasting; others are really struggling. If you help them, then you help their clients, which are the wider economy.

Chair: Anything else, Claire?

Claire Hanna: No, that is fine for now. I am away to update my leaflets with "neither basic nor horrible".

Chair: Remember that you heard it here first.

Q420 **Stephen Farry:** I have a couple of brief questions as we are coming to the end. This has been touched on, but are the CDS and GVMS systems working largely as expected in terms of the nuts and bolts, or are there any more teething problems you want to identify?

Seamus Leheny: GVMS seems to be working okay. The pressure has been alleviated from CDS because of the parcel sector's grace period. GVMS is working okay. The GMRs that you use seem to be working okay as well. It is a bit clunky, like I said, around the admin. It is very time-consuming for businesses, but it is holding up.

Q421 **Stephen Farry:** That is great. The other question I have is about the



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EORI VAT registration process. Is there any evidence to date of businesses having difficulty in accessing that, or is it again fairly early in the process and a watching-brief situation?

Aodhán Connolly: It is fairly early in the process. Even those companies that have a particular resource on it are finding it confusing, especially with all the new VAT regulations and the responsibilities. It is mostly teething and we will be watching it with interest. As you know, Frankie Devlin from KPMG sits on the Northern Ireland Business Brexit Working Group and he is our guru when it comes to VAT and the implementation of the changes here.

On the VAT stuff, the GVMS stuff and even the TSS stuff, it would be remiss of me not to give credit where credit is due. We had problems, EU to GB, with the Covid stuff. Haulage, farming, manufacturing and retail, this was a very poor Christmas for the vast majority of people in the business sphere in Northern Ireland, quite simply because they were working very quickly to try to get things ready for 1 January. Some of the detail only came out on 31 December. If things are working well now, yes, credit where credit is due to the Government and what they have done. However, the majority of the praise should go to business and industry, which have worked unbelievable hours over this past couple of weeks to make sure it was not a complete Horlicks.

Stephen Farry: Yes, absolutely. I fully echo that, Mr Connolly.

Chair: Mr Connolly, in your meeting with CDL and others tomorrow, can I really urge that you make the point to them about the need for BEIS to better communicate to GB business about what is required, and to get the GB bit of CBI, IoD, the Federation of Small Businesses, et cetera, to be doing the same with their members? That would clearly alleviate quite a lot of the issues we have been discussing.

Q422 **Ian Paisley:** Aodhán, following on from Stephen's question with regard to VAT, you mentioned at the beginning of the session the VAT margin on second-hand vehicles, which is an absolute pain for consumers in terms of cost, for disability car users and for second-hand business trade. It creates the problem that criminality could be increased, where people will just go over and do this on behalf of companies instead of actually using the VAT scheme properly. I recognise the car industry probably has supply for the first quarter of this year. If this problem is not resolved in the next 30 to 40 days, would you agree that the UK Government should derogate on their own on this matter?

Aodhán Connolly: We will have to cross that bridge when we come to it. That area is not particularly one in which I am an expert. I usually leave that to Stuart Anderson from the CBI and Frankie Devlin from KPMG. I am unaware how those talks are ongoing. It would be outside my area of expertise to give a judgment on that.

Q423 **Ian Paisley:** Have the Government clarified to you which areas of EU



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VAT law they see as applying to goods under the protocol, such as with regards to the small business VAT threshold?

Aodhán Connolly: Like I said, that is outside my expertise. There are others on the Northern Ireland Business Brexit Working Group.

Chair: Mr Connolly, we would rather have that as an answer than something off the cuff, as it were, so thank you. Can I thank all of our witnesses? My hunch is that, possibly in mid-February, it may be advantageous to have the three of you back again, if your diaries permit, just to see how things have, for want of a better phrase, bedded in, whether there are new problems, whether problems that you have talked about today have been resolved, et cetera. We have this window, do we not, until 31 March? Let us try to use it as efficiently as we possibly can. I am sure that my fellow Committee members would welcome hearing updates from you as we go along.

Again, can I thank you for joining us? Can I wish you well in ironing out those creases, sorting out those problems and making sure that the people of Northern Ireland are well served in this process? Thank you very much indeed.