

Northern Ireland Affairs Committee

Oral evidence: Brexit and the Northern Ireland protocol, HC 157

Thursday 15 July 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; Fay Jones; Ian Paisley.

Questions 1050 - 1084

Witnesses

I: Victor Chestnutt, Director, Ulster Farmers Union; Aodhán Connolly, Director, Northern Ireland Retail Consortium; Sarah Hards, Business Development Manager, AM Nexday; Stephen Kelly, CEO, Manufacturing Northern Ireland; Ricardo Tonelli, Director of Operations, North Sea and Irish Sea, P&O Ferries and General Manager, Port of Larne.



Examination of witnesses

Witnesses: Victor Chestnutt, Aodhán Connolly, Sarah Hards, Stephen Kelly and Ricardo Tonelli.

Chair: Good morning, everybody. Good morning, colleagues, and a very warm welcome and thank you to our witnesses today, all of whom have been witnesses before this Committee before on this very issue. I do not know if this is *Groundhog Day* or *Protocol 2*, or some other new movie that will be made in due course. We are very grateful to you for joining us. This is the last public meeting of the Committee before the House rises for the summer recess. We thought that it was an appropriate juncture to take a bit of a stock take, if you will allow that phrase, six and a half months into the operation of the protocol, and to see how things are going since you first, or last, appeared before us, which was at a very early stage of it.

There are a few housekeeping points from me as we start the meeting. I have received apologies from Bob Stewart. Do we have any declarations of interest?

Ian Paisley: To refer to the register of interests, I have a declarable interest with regard to a legal case I am involved in with regard to the protocol.

Q1050 **Chair:** The last public meeting of the session allows me to put on record my thanks and those of my fellow Committee members to our clerks and all those from parliamentary broadcast and the support team who have, in difficult circumstances with virtual meetings, allowed the business of this Committee to continue and, I hope, to do so effectively. Let us hope that, when the House returns in September, it will be as planned, and that we will be meeting again in real time and face to face.

It would be remiss of me not to comment upon the treatment of some of our witnesses from last week, in social media terms. Whether we agree with what everybody tells us in these Committees, or disagree with everything they say to us, we are a democratically accountable scrutiny Committee of the House of Commons, where free speech and democracy are our hallmarks. On behalf of the Committee, I want to say that the intimidation, if you will, of those witnesses on social media, by those who, frankly, should hang their head in shame this morning, is not acceptable.

I know that those witnesses and others will not be cowed from speaking truth unto power. As far as I am concerned and while I am in the Chair, nobody—no voice—will be silenced from giving their thoughts and opinions on topical issues as they affect Northern Ireland. For those who want to take a different view, I suggest they go and find a country where the rule of law, democracy and free speech are not the hallmarks that we all cherish.

I have got that off my chest and I feel a whole lot better for it. Let us



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turn to the business in hand. I am going to start with Mr Kelly. We saw you earlier in the year. Could you give us, over a few minutes, your assessment of how things are working; where you are identifying problems and where they have been solved, or where a solution is in grasp or within sight; things where you hoped there might have been a solution, but to which that solution appears to be elusive; and, I suppose, an overall assessment of your sectoral outlook, with regard to how things stand today, as against how they stood at the top of the year?

Stephen Kelly: Good morning, Committee. Rather than my opinion, I would rather share some results from survey work that we have undertaken with the sector. Just like my other colleagues who are witnesses this morning, what we do and say is directed by them, so it is important that I bring their voice forward on this. We surveyed the manufacturing community at the end of month 1 and at the end of month 3. We have begun surveying them now at the end of month 6 and will repeat that again at the end of the year.

The most recent survey that we have validated results for relates to the end of third month period. We will share the results of the end of month 6 once that becomes validated, and we will share that information with the Committee for its inquiry. We know that, at the end of month 3, 77% of manufacturers said that the first three months following the end of the transition period had a negative impact upon their business.

When we looked at separating that out in terms of two particular markets, both the rest of the UK and the EU, and when we get the feedback in terms of GB business, 36% said that they were currently struggling with the new processes and believed that that struggle would persist. At the end of March, one in three manufacturers believed that those challenges that they were unveiling for themselves, whether that be customs challenges or challenges in terms of supply chains, were likely to persist at that point.

One third had said that they had a negative impact on their sales to GB, so it was in both directions, rather than just the single direction. For comparison, the figure at the end of January was 25%, so that number had grown a little bit as confusion continued around Northern Ireland's status within both the UK's market and the EU's market.

Most concerning was that one in five, or 20%, said that their UK suppliers were simply unwilling to continue to supply to Northern Ireland. That had not moved terribly much from January. When we get below the bonnet on that number, it relates to, essentially, two things. One is the new complexities that were introduced on 1 January in terms of moving goods from GB into Northern Ireland, which the Committee has explored a lot of. In addition to that—and no one seems to be exploring this in any great detail at all—it is actually the impact of the trade and co-operation agreement as well as the protocol and where there are frictions between the two of those documents or agreements.



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For instance, in the negotiations that led to the TCA, the EU was clear that the UK's position as a centre of distribution for Europe—and included in that would obviously be Northern Ireland—would be diminished. That is an outcome from the negotiations that the UK accepted in the end. As a practical example, I have a member who would purchase a piece of engineering equipment from a German EU-based factory. That piece of engineering equipment travels from Germany to that German company's subsidiary plant in Britain, where modifications are made. Those modifications are for rules in the UK and, indeed, Irish marketplace.

Because that axle has left the German manufacturers and the EU's customs area, its identity is no longer EU. Because there is only minor modification in the German company's subsidiary in Britain, it does not pick up a UK origin at that point. The problem then is that, when those axles are moved from GB to Northern Ireland, it is at risk of a tariff being applied. Those German axles from a German company and a German factory can travel tariff-free to the rest of the UK, because they do not pick up a UK identity, but because there is not sufficient processing and they are at risk of going back into the EU, a tariff then could be applied when it moves from Great Britain into Northern Ireland.

I know that there was no intent, either in the protocol or elsewhere, that we would have a scenario like that, where we would have EU goods that are supposedly meant to freely circulate to Northern Ireland but actually potentially have that tariff applied to them. It is an outcome from the type of agreement that the UK and the EU have concluded, in terms of their own future relationship outside the protocol and outside the operation of the border in the Irish Sea.

It is resolvable. The challenge is that the operational plan for the protocol was agreed before the final agreement on the UK and EU's future relationship, in terms of the TCA, was concluded. There is an opportunity, in terms of continuing to have discussions around the protocol, which can resolve an item like this. That would allow, for instance, the economic identity of that piece of engineering equipment to travel its entire journey to Northern Ireland.

That is one of the issues outside the administrative challenges that GB businesses face, in terms of sending to Northern Ireland, that no one seems to be exploring. No committee, and certainly not this Committee, seems to actually understand where the interface between the trade and co-operation agreement and the protocol is, and where that is causing unnecessary friction and arriving at an outcome that is not intended by either side.

I have mentioned GB already. When we look at the EU side, 46% of EU suppliers are reported to be unaware, unprepared or unwilling to supply to Northern Ireland. That was up from 30%. That is quite a rise. The challenge that is identified there is that, despite reports leading up to the end of 2020 that the EU was ready for no deal, and that its authorities



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and member states were ready, there has not been that education programme in the EU that explains, to suppliers or, indeed, customers, but more particularly customs authorities and others in member states, that goods from Northern Ireland and goods destined for Northern Ireland are meant to freely flow. There is a big piece of work required still from the European Union and the Commission to educate authorities and customers in the EU that Northern Ireland's status is different from the rest of the UK.

When we look at sales to the EU, 29% at the end of March had said that their sales had been impacted. That is marginally up from 23%. This presents a problem currently, but it actually presents an opportunity. You will have heard conversations from the Commission vice-president about a potential investment conference for Northern Ireland, for instance. That was one of the ideas that came out of the Northern Ireland Business Brexit Working Group's engagements with the UK and the EU. This is an opportunity for us to market Northern Ireland within that marketplace, to resolve some of these frictions that appear to be in place, but also to provide an opportunity to sell Northern Ireland in these marketplaces.

In terms of the outcome from that survey work, some of that stuff was quite negative, but there are quite significant positives in there as well. The Committee will already be aware that, in the first number of months of this year, trade from Northern Ireland to the Republic of Ireland, for instance, is up more than 60%. We are having reports from pretty much right across manufacturing that their sales are significantly increased over and above what they believe they would be as a result of the downturn due to Covid last year.

We know from Invest NI that there are more than 30 FDI inquiries, and I believe that there may be news on some of that stuff over the summer months, which is positive. We also know that when we have spoken to the manufacturing community, more than half now are saying that the Northern Ireland Executive need to be grasping the opportunities and promoting those opportunities to markets here at home in the UK and across Europe. It is the single biggest ask that they have of our politicians and our Executive.

Lastly, we have asked them for their opinion on what they would like to be done about the protocol. In February, at the end of the January first month period, 19% had said that they wished the protocol to be scrapped. At the end of the first three months, that had dropped marginally to 18%. There is no huge shift in desire, despite what was happening on the streets at the time in Northern Ireland, that the protocol be scrapped at this point.

Q1051 **Chair:** Give me those figures again, please.

Stephen Kelly: I will share the report with the Committee afterwards. At the end of month 1, 19% wished the protocol to be completely removed. At the end of month 3, that had dropped, very marginally, to 18%. More



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than half now wish the Northern Ireland Executive to identify and grasp the opportunities that are presented there.

Q1052 **Chair:** When you say “more than half”, can you give us the figure for that?

Stephen Kelly: I will get you the precise figure now. It was just the summary that I had in front of me. I will get you that precise figure in a second.

Q1053 **Ian Paisley:** While Stephen is looking for that, was the question asked of how many wanted the protocol to be changed?

Stephen Kelly: Yes, so more than half. I have that answer as well. I am just trying to find the report, if you bear with me just two seconds.

I have them now—apologies for that. The question was asked: 55% wish for the protocol to work by agreeing mitigations, derogations and compensation; 54% want more work to go on, in terms of preparing GB businesses to continue to supply and to buy from Northern Ireland; 47% wish the EU to do more work to educate EU firms that they can continue to trade with Northern Ireland; 46% want the Northern Ireland Executive to identify and secure new opportunities; and 18% wish the protocol to be replaced.

Q1054 **Chair:** Thank you for that overview. That is helpful. Colleagues will have questions. Let us go to Sarah Hards next. Sarah, it is nice to see you again. Good morning. It is the same question to you, please. If you want to set the scene and give us your personal business outlook and any intel you have from your sector, that would be valuable to us.

Sarah Hards: As a reminder, I work for AM Nexday. We are a logistics company based in Larne.

Chair: Do we sing the company jingle now?

Sarah Hards: We are working on some new branding here, so hopefully next time we meet there will be something behind us.

Chair: We will all wear our T-shirts next time.

Sarah Hards: Where do we start?

Chair: At the beginning, according to Mary Poppins.

Sarah Hards: One of our main issues in February, when we met last time, was that we had much more freight going out of Northern Ireland into GB than coming in. We had maybe a third of trailers coming back empty. That is still the case. Northern Ireland is doing a great job at producing goods and sending them out to Ireland and GB. However, there is still definitely a lack of goods coming in.

I think Stephen mentioned it there about education for GB suppliers. That is one thing I was really keen on, trying to get these GB suppliers on



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board with bringing in our goods across to Northern Ireland, sending them across themselves, rather than Northern Irish businesses having to bring them across. There is new red tape and a whole layer of customs that is now in place, but it is manageable.

We are still seeing that lack of goods coming across for us. Therefore, running costs are up. We knew this was going to happen. This is due to shipping increases and customs declarations. Driver salaries have increased quite greatly. We know that there is a huge driver shortage. We are very busy here and we do not have the drivers to facilitate these deliveries. Costs are going up and service is going down, so that leads to quite a lot of discontent within our customer base, both the smaller customers we deliver to on a day-to-day basis and our large retailers.

From a retail side of things, many of our retailers have stopped bringing fresh goods in from GB and are now sourcing within the island of Ireland. Although you would think that that is great for the economy here, it does not work well for our retailers. We have spent years working with them very closely, planning exactly how things are going to be delivered. We have a one-hour window to get in and get out of many of these stores. It is done through the night and day. Everything is just so specific and time critical.

Instead of receiving one delivery per day and it being a very fluid, seamless thing, now they are receiving three or four, because they are getting direct deliveries from the meat supplier, the bread supplier et cetera. Product availability for them has gone from very high to much lower, so we are seeing that straightaway.

Because I know there are going to be more declarations required, as of October, for different types of food groups, we are looking at splitting loads. Instead of everything coming across on one big trailer, we are going to have a trailerful of goods that require customs declarations but do not require checks, and no SPS goods. We are going to have a trailer of that and then we will have another trailerful of these SPS goods. Straightaway, your trailerful is going to be down.

The most expensive part of delivering into Northern Ireland is bringing it over the Irish Sea. One of our skills was to plan so there was the maximum amount of goods in that trailer, and that is going to go down. It gets more expensive for our customer. One of our skills was cost saving, stripping it back and bringing it down. That means our skillset is set aside and we are not a specialised haulier so much any more.

We are still having a few issues with TSS. It is very hard to get things changed. If you are having any issues, you get through to someone who is quite junior. I have been trying to resolve supplementary declaration issues for three months now. We have been named as the importer incorrectly. We then have to go back to find out who the actual importer is. To even do that for one declaration takes maybe half an hour, 45



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minutes, so we have maybe 100 on there now. Trying to get all this information is very labour intensive.

It is all based on us, which seems very unfair when we have been named in error. It would be better if the TSS could do some investigations itself, but it is very much based on the users of TSS, even if they did not do it themselves. With TSS, it is very hard to get your issue resolved and there does not seem to be a chain of command there. I feel like you are left to it with people who are very junior, who maybe just do not have the experience.

That is where we are at the minute. The driver shortage is very difficult. We are advertising for drivers. The salary for our class 2, so the rigid vehicles, has gone up 15% in the last 18 months. For the class 1 drivers, the larger vehicles, it has gone up probably about 20%. We thought this would be great. We thought advertising with these increased rates would bring the drivers in straightaway. In all honesty, advertising is almost embarrassing, because the response from the drivers is that this is not enough; we are not paying enough. We know that we are paying more than market rates, so I do not know where we will go next to get drivers.

Q1055 Chair: You have spoken to two things. You will know that, across GB, there is a shortage of HGV drivers. I warrant that my colleagues here probably hear the same things that I do when talking to businesses in my constituency, which are access to staff and recruitment. To what are you ascribing this sudden staff shortage? Is it furlough and people's reticence to move off furlough in case the data points in a different direction? Is it linked to freedom of movement? What are you putting it to?

Sarah Hards: It is a perfect storm of Covid and Brexit, with many people being on furlough and being quite happy to be on furlough, and then with the European drivers not wanting to stay in the UK. It is a mixture of both, so we have Covid and Brexit playing their parts here.

Mr Goodwill: Testing has been disrupted as well. We do not have as many new drivers coming through, despite the fact that anyone who is an apprentice can get free training at the moment.

Chair: There speaks a former Minister of State in the Department for Transport.

Sarah Hards: We have seen that as well—that there are just no new drivers coming through. However, we can bring in a freshly qualified class 2 driver, do some in-house training and get them covered for insurance purposes. When it comes to class 1, our insurance company will not cover them. It will just not cover them. Recently, we got one driver put on and an excess for any type of accident, however small, was £3,500, so it does not make sense for us to try to bring someone on so junior. We could afford it as a one-off, but it is too much of a risk.

Q1056 Chair: Victor Chestnutt, I know from my own constituency the little ray



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of sunshine and joy that farmers are—always a happy, gladsome smile of a morning. Cheer us all up from the Ulster Farmers Union.

Victor Chestnutt: The sun is shining and neither Brexit nor Covid has affected our weather.

Chair: Hay is being made.

Victor Chestnutt: Yes. Thanks to the Committee for giving us the time again. I was here six months ago, almost. When I started to prepare again, it seemed like déjà vu. We were just back with the same issues. There has been this unwillingness politically for Europe and the UK to engage on small issues that are very real on farms to sort out, and therefore community tension in Northern Ireland is rising. It is unfortunate that I have to report that, but that is the fact. Many of these things could have been sorted out.

The last time I was on, I spoke about bull sales. Nothing is sorted. The sheep stuck in Scotland are still in Scotland. Things have not moved on that. There are perfectly legitimate solutions for that. We have that traceability system here where animals can have the residency of Northern Ireland, but the political will does not seem to be there to enact these solutions.

Having said that, not all parts of the protocol are not working. I will go through the sectors. Really, we are a livestock sector in Northern Ireland. We grow grass. We usually have plenty of rain. We are having a drier year this year, but our red meat sector seems to be coping fairly well, being able to look both ways. We would not want to throw the baby out with the bathwater. The biggest issue in the red meat sector is rising costs to do with paperwork and declarations. Indeed, we are just coming off the labour shortages. There are huge problems there within our labour market.

We are in a slightly different place in the UK because of our land border with ROI. If people feel more content to come and work in ROI, they are not going to come to the northerly part of this island. We need some probably sector-specific arrangements for labour in Northern Ireland that are slightly different to the rest of the UK.

Move over into the dairy industry, which is very important to Northern Ireland. We still have the issue with milk going south for further processing having this label of mixed origin put on it. Very recently, there was a very useful report from the Oireachtas in Dublin. They are trying to urge the EU to give flexibility. If we are working in an EU regulatory zone and our milk is going to the south to be further processed to go outside Europe—the final market could be Asia or east Africa—it needs to be considered as a product of the EU. At the minute, it is not. It is getting this label “mixed origin”, which does not add value to anything, so there are still some issues there.



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Having said that, in the dairy industry, our milk is flowing south of the border, as it needs to, because we do not have the processing capacity here in the north. It is not all bad news there.

On the grain issue, we had that issue where we were worried about tariffs. That is still there. It maybe has not come to the fore. The main place we import our grain from is GB and UK. For instance, if Ukrainian grain was cheaper, it could come into the UK on a UK tariff-free quota. Our southern counterparts in ROI could import it on an EU quota, but we are stuck in no man's land. We cannot bring it in, because if we bring it in from the UK it is in danger of going into the ROI, and similarly the other way. We would not be able to avail ourselves of it if that became the cheapest place, so we would have to go to the next cheapest source, which could add anything from two or three tonnes.

On things like minerals and amino acids, a lot of that comes from the UK. Some of that is manufactured in Europe and we have to be very careful there. It is going back to the very same argument as with the German axles. If it comes into the UK, is not manufactured enough in the UK and does not get the UK stamp on it, we could be paying a tariff on that. Meal companies are having to watch that.

On farm, the EU rules are giving difficulties. Parts for machinery and all that has slowed up and the costs are rising astronomically at the minute. The costs on farms are one thing. Our goods are up a little bit, yes. Covid has actually done farming and agriculture right through the UK good, in that sense. People have been buying and, thankfully, supporting British produce. That has done us good, but our costs are rising horrendously.

We saw a couple of flexibilities that came through there. There was one on chilled meats, which I would say was a red herring. We are an exporting region. We can make all the sausages we need in Northern Ireland. Yes, the choice is good for consumers, but that was a red herring really. The other thing the EU gave some relaxation on was the tagging issue in livestock. Yes, it needed to be sorted, but, if the livestock cannot get here because of restrictions—six months' restrictions, and all the rest of it—the tagging issue does not become a real problem. What they gave on was really very small in the farmers' eyes. Farmers are frustrated.

I will probably sum up here by saying that import costs are rising and the SPS costs are rising. Veterinary alignment with the UK seems out of the question. Some sort of veterinary agreement with the EU, some sort of recognition of each other's standards and the SPS, would help us. We do not seem to be getting that.

We are asking the questions. We are getting the opportunities to put this forward, but we feel we are not getting listened to. I would probably sum up by saying that the protocol is there. There are some elements of it that are working for us. We are getting our produce to where we need to go. It needs a real revamp. It needs an architect to look at it. It needs major innovations, but we need to be careful not to upset the little bits of



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it that are working. For every bit that is working, we are finding bits that we have real problems with.

One of the newest things to come on is in animal medicines, plant protection products and the likes of that—products that need authorisations. These products need to be authorised roughly every 10 years. It is horrendously dear to get these products authorised. They are products that are needed in Northern Ireland farms, for either growing vegetables or treating livestock. The UK authorisation does not cover us; nor does the EU authorisation cover us. We are too small a region for a company to spend maybe hundreds of thousands authorising a product, because our market is just too small in Northern Ireland. Rather than being in the best of both worlds, we are sitting in no man's land.

In effect, can we get this stuff? Anybody could drive down to the south, put it in the boot of their motor and drive back. Anybody probably could go over on the boat, chance putting it in and taking it back in a pickup, but we cannot get the authorisation. If we are supplying a supermarket and there are residue levels found, you are out on your ear, and quite rightly so, so we need that sorted out.

One of the solutions there is for the UK to pay these authorisations. It is either that or treat us as UK citizens and let the UK authorisation cover Northern Ireland. There is something there that needs to be tackled in those types of plant protection products or animal medicines. I will leave it there. Thanks again for the opportunity.

Q1057 Chair: Thank you for that, and thank you for offering us the less-than-palatable-sounding red herring on chilled meats. I am not necessarily sure I will be running off to place an order for that, but thank you for that comprehensive assessment. I will not name my musical-savvy colleague, but I have been reminded that I have misled the Committee and, in particular, Sarah Hards. It was of course Maria von Trapp who suggested that we start at the very beginning and not Mary Poppins—same actress, different film.

Sarah Hards: You will be forgiven this time, Simon.

Q1058 Chair: You are very kind. Let us hear from Ricardo Tonelli now.

Ricardo Tonelli: I represent Larne Harbour Ltd, which is associated with the two ferries that go across eight or seven times a day from Scotland. I will start with an observation. We spoke probably three or four months ago and I was proud of how my team interacted, through a pandemic and Brexit cliff edges, with the various arms of the Government that were asking us to collaborate and enforce new rules: westbound requirements, records and whatnot. That story continues.

We have successfully continued to operate traffic of all kinds, with a big difference between then and now. We also have some tourists or families re-joining each other, as they are more free to travel. That is the most



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significant change in terms of what you see coming in and out of our port.

In terms of the hurdles related to ease of trade and all sorts of bureaucratic hurdles, they are still all there and there are some clouds on the horizon. We interact with DAERA, Border Force, HMRC, PSNI and local councils. This is just in Larne. We also have the Scottish side to deal with, which has exactly the equivalent. As an equally devolved Administration, they also have their own sets of rules.

Up until now, we had to look for and work with various companies, arms of central Government and devolved authorities to facilitate movements with westbound documentation needed. Soon enough, we are looking at, eastbound, various bit of documentation being needed, without going into too much detail. Some have said that this is in contrast to the concept of unfettered access. In all fairness, we managed to get through it quite well. My proudest moment is that we never had a queue at either of the ports. That was, believe me, not through sheer luck but through enormous effort and co-ordinating customers, authorities and systems—and, of course, ultimately, it is the shipper who has to understand all of it.

As we get up to speed with today's protocol, there are new requirements coming in the next few months. My concern is that the co-ordination between the various arms of the Government and industry is less than perfect. It could be better. As an example, not many people were aware of westbound GMRs for goods originating in the Republic of Ireland as of 4 July. We are ready for it.

A couple of months ago, this was applied to a slightly different category of goods, and we were joking that we would never see endangered species or anything like that requiring that level of documentation. Guess what? The next day, we carried a live giraffe from Belfast Zoo. That was our first example of that. That is it in terms of the protocol-related bureaucracy. You should also know that we had to employ extra people in Scotland to deal with the westbound requirements. Do we then need to plan for extra people to do the same when it is clear to us what we need to do eastbound? More clarity would help.

If we then go to the trade side of things, I am sure that the healthy volumes coming through the ports have been helped by the difficulty of getting into the Republic of Ireland from GB in the central or southern corridors due to Covid-related restrictions. It is much easier to drive up to Stranraer, go to Belfast or Larne and then drive south than it is to take a ferry from Liverpool or Holyhead into Dublin. Those dynamics might change in the future, but we do not know that yet. I assume it is not an insignificant factor as and when we are freer to travel within the CTA.

I also note how the same pressures that my neighbour Sarah faces on haulage in terms of wage inflation are felt in my port in other areas. There are certainly pressures on the skilled labour wages. I do not know



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if these are external inflationary pressures that come in or furlough-related, but they are certainly real. We are feeling them.

The final point I will make is that the lack of clarity on where Northern Ireland is going with freeports is causing a little bit of frustration because we sense a great opportunity and, as Larne Harbour Ltd, we also operate the port of Stranraer. That unique link between Scotland and Northern Ireland through the EU protocol is not insignificant. I would like to see more activity and focus. I know consultants are working with the Department of Finance, but it is an opportunity for all of us to exert whatever tax tools or incentives we can, in order to bring a bit more of a level playing field to Northern Ireland and for us, as a private operator, in terms of growing our business, supporting local jobs and whatnot.

Q1059 Chair: Thank you for that. That is very helpful, I am sure. Let us turn now to Mr Connolly. I follow him on Twitter. With the amount of running he does, I am exhausted just reading his Twitter feed. He always seems to be out jogging around the place looking terribly fit and healthy. Mr Connolly, is everything in the retail sector fit and healthy or is it, like you, pounding the pavements to build up the fitness? That was a frightful segue, Aodhán, to introducing you, but you are very welcome and let us hear what you have to say.

Aodhán Connolly: That is quite a good analogy, because the only reason that things are working as well as they are is the hard work of the retailers, our friends in manufacturing and, of course, our friends in logistics. If I could start off talking about the retail industry, as you know, I am the chair or convener of the Northern Ireland Business Brexit Working Group, so there are a couple of points I want to make on its behalf.

As far as retail is concerned, some things have been working well. If you look at where we were at the start of the year, we had these two opposing narratives, one saying that we were all starving, which was absolute nonsense, and one saying that it was absolutely fine, which was absolute nonsense. The truth is the average supermarket holds between 40,000 and 50,000 product lines. The worst-off supermarket was missing, I think, around 600 product lines. The best off was missing a couple of tens of them, so we have to be very careful here about the different narratives rather than what is happening on the ground.

What has been working well is the engagement we have been having with Government, as well as the STAMNI process—the process that was brought in for attestations that were needed instead of EHCs. I have to pay tribute at this point to the DAERA staff and, in particular, the deputy chief veterinary officer, Brian Doohar, for the sterling work he has done being on call at all hours and really making sure that not only were things moving, but we as retailers and our colleagues in logistics were aware of our responsibilities and how to live up to those very easily. That is something that needs to be commended.



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As far as customs are concerned, we always knew that there were going to be issues with customs, quite simply because the majority of businesses that are now filling in customs paperwork have never had that sort of paperwork to do before. That was challenging. We have got used to it, but, again, wherever there is friction, there is cost. Retailers have absorbed that cost, for the most part, but that cannot go on forever.

On the chilled meats and the sausage war, to reiterate what my colleague from the UFU said, first, if people think that is what a trade war is, they are really going to be surprised when there is a trade war. That was not a trade war; it was not even trade handbags at dawn. Be aware of the sort of language we are using there. It was not so much a red herring, but it is an emotive issue. That is of no doubt, but, as far as trade terms are concerned, it is a peripheral issue.

It is not just because of the change in supply chains. One of the reasons is that, for this past 10 years, GB retailers have started buying more and more Northern Ireland produce. In fact, we are now buying over £2.8 billion of Northern Ireland agri-food. We are 1.9 million people in Northern Ireland. We feed about 10 million people all together. We are the breadbasket of the UK, in that way.

Chair: I think that is Dorset's role, but I will let you try to claim it.

Aodhán Connolly: That could be handbags at dawn between us. However, the other thing that went well was the extension of that EHC grace period in March. Now, be in no doubt that we believe that all these things should be done on a bilateral basis with an agreement that builds trust, because trust is going to be needed going forward. However, the decision needed to be taken. The decision was taken on the Wednesday and publicised. That Friday, some of the major retailers were going to have to make decisions that would have affected choice and affordability to Northern Ireland householders. It did need to be done. However, we were very glad when the extension to the grace periods on chilled meats was asked for and acquiesced to by the EU, because that shows that it is working.

That being said, there are some real concerns and, this past couple of weeks especially, we have been having lots of meetings with our grocery members on what is coming down the tracks. We are heading towards, as Sarah said, a perfect storm in October when we will need export health certificates. Those export health certificates not only need time for people to fill them in, but they also need vets. You are talking about a cost that is there. We simply do not know if there is going to be the veterinary capacity. We simply do not know what the cost implications of that will be.

There is also talk that there will be need for organic certificates, VI-1 certificates for wine and phytosanitary certificates for plant matter, and this is on top of the end of the chilled meats grace period. There are lots of things coming at the one time there, including EU to GB checks. You



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have to remember that the consumer in GB will not really have felt any of that because those controls, both paperwork and physical, have not come in yet. They will be phased in from October until January next year. Because we are at the end of the supply chain, there could be a knock-on then.

Our big thrust at the moment, as far as retail is concerned, is asking Lord Frost, the Prime Minister and the Cabinet Office as well as the EU and Vice-President Šefčovič to urgently find a solution. The most frustrating thing for business across Northern Ireland is that we can see the solutions, but we do not see the political will to deliver them. For us, a veterinary agreement with a guillotine clause that would allow it to kick in when the UK did get one of these wonderful new trade deals in place and implemented, such with as Australia or the US—but, up until then, we could follow the EU regime—would not only help us in Northern Ireland get things in, but also help us export.

It would help Scottish fishermen. It would help Welsh lamb farmers. It would help consumers across the UK keep prices down because you are removing that friction. That would also, most importantly, buy us time to get a trusted trader scheme in place. That trusted trader scheme needs to be more than the digital assistance scheme. While it is wonderful that people are working on it and it is being done, the only thing the digital assistance scheme, as is, is going to do is save a few trees, unless it is used as a robust evidentiary basis for a trusted trader scheme.

Now, our supply chains are beyond reproach. They have wonderful audit trails. It is not about whether we comply or not. It is about how we show that compliance to the EU to allow it to rubber-stamp it and say, "Yes, that is keeping within the single market regulation". That needs to be done urgently and we are severely running out of time.

As for the other issues for the Northern Ireland Business Brexit Working Group, again, a lot of businesses are thankful that the protocol is there because they do not see that there is an alternative to it. They realise that there are challenges. We are still asking for those things that we asked for at the start. We need stability, which is the extension of the grace period and maybe an extension to any sort of period that would allow us to get a long-term solution in place. We need certainty. That is that long-term solution that is delivered with business.

These things that are being talked about on medicines with the EU and the UK, and what Lord Frost is going to talk about next week in the House, have not been discussed with us as to whether they work. Now, they have been talking to us on an ongoing basis and we hope that is reflected, but, unless we can check it off and see whether it works for us, there is a concern there. We still need that simplicity. Again, that is a trusted trader agreement. That is removing that friction. The digital assistance scheme can help with that. Then there is, of course, the affordability. All this needs to be done to keep business competitive and



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to give Northern Ireland households the choice and affordability they need.

I have already talked about the trusted trader agreement and the veterinary agreement. We are still waiting on that consultative group that was agreed by Michael Gove and Vice-President Šefčovič, and then agreed again with Lord Frost and Vice-President Šefčovič. I know the at-risk test was mentioned earlier; it is under the joint committee, and the legal text permits the joint committee to amend that test of “at risk”. We need that broadened out as much as possible. It is not just for our colleagues in manufacturing. It is for anyone who is bringing goods into Northern Ireland, should that be for final consumption or further processing.

We still have problems with establishment, and we need to extend and embed that UK trader scheme easement and make it easier to get that establishment. Rules of origin is an ongoing area of confusion. Our ask on that is for clarity. Stephen has mentioned quotas and that is going to be an ongoing issue. Supplementary declarations were mentioned by Sarah and, again, for all intents and purposes, if it is remaining in the UK customs territory, it is pure bureaucratic activity for no value, so, again, they need to look at that.

The education of supply chains and consumers is hugely important. To be honest, that is one of the biggest things that we have asked both sides to do. We need GB suppliers to be educated about how easy it is, using the different schemes, including TSS, to send things to Northern Ireland. We also need the EU because there are still some problems there.

In essence, it is a lot better than having no deal or only the TCA arrangements. We need to be very careful about how we apportion blame on this, whether it is part of, for example, Covid, which has increased costs, the TCA, the protocol or Brexit itself that has caused these costs. However, I will leave you with the simple fact that we need movement from both the EU and the UK. We need them to live up their commitment on the protocol when they said the protocol would be implemented with the least disruption to Northern Ireland communities. That means either a trusted trader or a veterinary agreement before 1 October.

Q1060 Chair: Mr Connolly, thank you. That was wide-ranging and informative as always, and we are grateful. Let me ask you this question. Without apportioning blame, you have obviously been talking to Ministers in Whitehall and talking to people in Brussels as well. If 1 is hopeless and 10 is brilliant, in terms of being open-minded and flexible—“Let’s get together and solve this issue or that issue”—which approach and mindset scores highest, Whitehall or Brussels?

Aodhán Connolly: It really depends on which area you are talking about. I was quite disappointed with some of the reaction to the EU package that was put out last week or the week before, because it was quite talked down in the media in Northern Ireland and across the UK



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when that really took a lot for them to do. We have to realise that the EU is not in negotiation territory here. There is no mandate for negotiation and anything that it is trying to do will have to go past the member states. It simply does not have the mandate.

Here, we have a friction between ideology and economics. We can see the solutions—for example, that veterinary agreement. The EU wants dynamic alignment. The UK wants some sort of regulatory equivalence. Someone is going to have to move on that one, but both of them are just as steadfastly stubborn on that area. Honestly, there is more that can be done on both sides.

Q1061 **Claire Hanna:** Thanks very much, folks. It has been really useful to get all that information and the facts—the good, the bad and the ugly of how this is working. It is very clear how much work has gone in from your sectors, and how much more both the UK and the EU can do to support that work. I wanted to pick up on that.

Aodhán, you mentioned that the business and consultative forum is not up and running yet. There is understandably a lot of narrative and a lot of “he said, she said”—or, usually, “he said, he said”—about who is responsible for a lot of these decisions. Have you had enough opportunities to have both the EU and the UK in the same room at the same time, to prevent blame and the buck being passed about who is responsible? If not, would that be valuable?

Aodhán Connolly: It is hugely valuable. It is one of the reasons why we in the Northern Ireland Business Brexit Working Group asked for that consultative forum or body to be set up. At the minute, things are happening rather ad hoc. We have met with Lord Frost on his own a few times. We have now met with Vice-President Šefčovič and Lord Frost three times together. We have met with the joint heads of the specialised committee once.

It gets into this rhythm where you have the 15 members of our working group, and we all get two minutes to say what is wrong and then they are just summing up. We have tried to move away from that, so, every time that we are told there is a meeting, we now produce a position paper and say to them, “This is what we want to talk about”. We are not in that update and agenda framework yet. That is what we need to do. You have to realise that, as much as Lord Frost and Vice-President Šefčovič are busy men, we are busy with our members as well and they need to see that we are making progress. That is the most frustrating thing. We are getting kind words and sympathy. What we really need are delivery and solutions.

Q1062 **Claire Hanna:** I do not want to hog it, but, briefly, Stephen Kelly, you spoke about the desire among some of your members for Government and the NI Executive to help them to realise the opportunities. Obviously, you are speaking for manufacturing, but what I have picked up from Sarah Hards and Aodhán Connolly is that there has been an uplift for



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local food producers here, which is good. What would that support, enhancement and facilitation of those opportunities look like to you and your members?

Stephen Kelly: I will begin with what should be the easy one, which is that investors, customers and suppliers are looking in and getting a schizophrenic message from Northern Ireland. They are getting a message that this is a wonderful place—a great place to do business, to invest and to make your home. Equally, they are getting a message that we are going to hell in a handcart.

The reality for our members is the former and not the latter. They have chosen to make Northern Ireland their business home, not just because they are from here but because they have great people, they have their supply chains sorted and they are able to sell their goods on markets at home and abroad. For them, it begins with having a very clear agreed narrative around what a great place Northern Ireland is to do business.

The second thing is that there is next to nobody out there in the EU or, indeed, within the rest of the UK who is explaining what the protocol is and what the responsibilities are from those markets to access and to buy or supply into Northern Ireland. There is nobody out there helping those markets continue to trade with us. That has been left to individual businesses. We know this because, in January, just over half of manufacturers reported that their GB suppliers were unprepared for 1 January and the new challenges. When we asked them again in March, just over half said that their GB suppliers were unprepared.

Despite all the effort that manufacturers are putting in, the investment in TSS et cetera really was not cutting through with GB suppliers, so we need the Northern Ireland Executive out there batting on our behalf and explaining the responsibilities that people have in and around the protocol. We need the Northern Ireland Executive out there really saying what a great place Northern Ireland is to do business, but investors, suppliers and customers are getting a confused message around that.

Claire Hanna: That chimes with what we heard last week from the voluntary and community sector. Everybody is talking about whether they like it or they do not like it, but nobody is explaining what the protocol does and does not do.

Q1063 **Mr Campbell:** Good morning, witnesses. I want to go back to something Stephen mentioned. Stephen, when you were doing your survey, you did not outline approximately how many people took part in the survey.

Stephen Kelly: There were 190 companies that responded.

Q1064 **Mr Campbell:** I have done a similar survey in my own constituency and just over 30 in that one constituency took part. If you multiply that up, that might equate to 400 or 500 across Northern Ireland. Some of the findings are quite similar; others are not. On the issue about the change in opinions, I think you gave a figure of a change between 23% and 29%.



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That was the answer, but I cannot remember what the question was. Was that about the perception of things getting worse or staying the same?

Stephen Kelly: I will need to dig that back out for you, but it was relating to EU customers where they were unaware of the responsibilities. The timing of when those surveys took place is important because the first survey was at the end of month 1. Month 1 was a much simplified process. Month 1 was just the basic first step of the frontier declaration that is required to send stuff to Northern Ireland, a thing called the ENS.

That is followed then by month 3, which is the full supplementary declaration—it is equivalent to the full frontier declaration—being completed. It is understandable to us that, at that time, there is more visible friction. Sarah talked about that in terms of having to complete those supplementary declarations, incomplete information and erroneous information, et cetera, so there is no surprise really that those numbers are growing a little bit.

My forecast is that the survey we have just launched for the end of six months will report that people are getting to grips with those things but that it does not remove the challenge that is being presented to their business. A lot of people, the Prime Minister and others, said, “We need to sand down the barnacles on the bottom of the boat” or whatever the phrase was that was used. Everybody is experiencing these frictions. Even if they get used to them, it does not mean that they are not causing problems for their business.

Just because people get used to the systems, processes and controls, it does not mean that it is doing no harm. These things all come with costs; they add complexity and confusion. Regardless of whether you get used to it, it continues to create problems in the long term for the competitiveness of your business.

Q1065 **Mr Campbell:** In the survey I carried out, I sub-divided it in three. The first part was the first three months of the experience with the protocol, January to the end of March, and the second part was the beginning of April to the beginning of July. I felt the most important point was to ask them what problems they envisaged beyond the end of the grace period. A very small minority said that they did not envisage problems because of the nature of their business, but a significant majority of them said that they felt the problems that they had encountered to date would get significantly worse. I am wondering if you asked any of your members about future prospects. Is yours more a survey of past experiences rather than of expectations of what will happen in the future?

Stephen Kelly: I have reported that already, where 77% said that they had experienced problems since the beginning of the year and 36% believed that those problems would persist. The grace periods are largely not related to anything that is in manufacturing, with the exception of maybe parcels. The grace periods that have been already extended, largely, are in and around retail, et cetera. We do have members in food



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service and on the wider agri-food side, but the grace periods do not really do much for our guys.

Q1066 **Mr Campbell:** Yes, that is fine. I wanted to bring the grace period over to Mr Connolly, to ask him about future prospects and what his members are considering will happen, for example, in the next six months and beyond. Are they optimistic, pessimistic or neutral?

Aodhán Connolly: They are concerned. I represent over 90% of the grocery market and I think grocery is where it is going to be felt most, quite simply because of the SPS requirements and the need for export health certificates. Other areas will feel things and are feeling things on customs, and there are other things that will come in at the end of the grace period for parcels, et cetera. We have done a lot of work with AICES, which is the trade body for fast parcel delivery. Those will have their own problems.

The greatest concern, and I think I mentioned it earlier, is the urgency of the need for a trusted trader scheme and/or a veterinary agreement, and not just an SPS agreement on EHCs but a veterinary agreement that will cover organics, fish, phytosanitary and that sort of thing. There is an ability for it to be done, but you have economics meeting ideology, and it is not happening yet.

This past three or four weeks especially, we are in daily contact with our membership talking about the fact that there could be problems with both choice about what we are able to send over and affordability because, with friction, there comes cost. That is one of the reasons why we have been so vocal over this past six months. Every time we get something from the EU or the UK Government, we keep saying, "Great, now what else are you going to do for us?" because we do need either that trusted trader scheme or the veterinary agreement to allow us to get to a trusted trader scheme.

We are not pressing the big red button yet. We are completely committed to Northern Ireland and to households in Northern Ireland. We are trying to make the UK Government and the EU understand that they need to deliver a solution now that removes that friction because, otherwise, we will not be able to give the same choice or affordability. It is that simple.

Q1067 **Stephen Farry:** Good morning to all our witnesses. I want to focus on Victor and Aodhán around food and animal movements in particular. I have one small point for Victor to pick up on what was announced on 30 June in relation to livestock movements by the European Commission. I appreciate that we are still awaiting the detail, but to what extent are you encouraged or otherwise by what was said in that respect? How helpful is that?

Then, perhaps for both of you in a more general sense, can I tease out what we are looking for in terms of a veterinary agreement? I think both of you said slightly different things, in the sense that Victor was talking



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about probably something in a landing zone between Switzerland and New Zealand, recognising that, perhaps, as much as a Swiss-style agreement makes more sense, the UK is adamant that that is not what it wants. We need to find a landing zone in between.

Aodhán was talking about, perhaps, going on a temporary basis for the full alignment, recognising that there is no immediate prospect of a US trade deal. At that point, thereafter, that could be switched off and, at that stage, other measures could be in place that would take over to do the same job and allow the UK to do its own trade deals. Can I tease out a little bit more where both of you see the potential landing zone in terms of a veterinary agreement between the UK and EU positions? Can both of you confirm that you see that as the most critical issue to be resolved over the course of the next two or three months? Victor, can you pick up that discrete point around the livestock movements too?

Victor Chestnutt: I will take the first part of the question first on our live animal exports into the UK. That industry is quite a small industry in Northern Ireland agri-food terms [*Inaudible.*] For many farming businesses in Northern Ireland on our smaller family farms, that was very important and it may have been that there was that one day in the year [*Inaudible.*] That trade has collapsed. It is devastated; it is almost non-existent. We have gone, for one saleyard, from 120 bulls to two or three. That shows no sign of easing. Of the people on those farms, 100% would say, "Scrap this protocol. It is not working", because there does not seem to be any flexibility or any sort of give.

I would say this, especially on the European side. I met Šefčovič and Gove one day along with Aodhán and the rest of the group, and I thought, "Hey, here, we are going somewhere". The very next day, I was on a European Union joint unions meeting with Michel Barnier and he said, "Tell your farmers in Northern Ireland there will be no such thing as flexibilities. The UK has left. Do not come to us with their problems".

This type of attitude is very unhelpful to Northern Ireland. Really, we need that political will to get things sorted out. With Maroš Šefčovič and Gove, at that stage, I thought things were going to move, but then the chief vet was on the same page as Michel Barnier about a month later at another meeting whereby he did not seem to be [*Inaudible.*]

You then went on to the veterinary agreements. We are not going to get equivalence, but we need some recognition, of some style. It is probably unhelpful to label it as Swiss, New Zealand or something else. We need a bespoke one for Northern Ireland. Nothing changed on 1 January except the date. We surely are starting in the same place. It would surely not be beyond the realms of possibility to get some sort of recognition if the political will was there to do it.

I want to maybe expand a couple of bits and two points I missed in my start. Seeds are becoming a problem, especially for the autumn. Now, for cereals needing to come in from the UK, again, we are having issues. We



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did have some give on that in that last announcement on seeds and payment for some of those things from the UK. That is welcome.

One of the other major issues that is affecting us in Northern Ireland is that the EU is continuing to make new rules. In fact, there is one that came through yesterday, on 14 July, at about 4.30. Northern Ireland is bound by these rules. We have no way of feeding into how these rules are made or how they will affect us. There is something fundamentally wrong with a country, i.e. Northern Ireland, that has to take rules imposed on it with no way of feeding in what we think of them. There is something that needs to be sorted out there.

Those EU animal health rules and, indeed, rules for carbon and so on, which will affect fertilisers, are going to leave us at a disadvantage to our UK counterparts because we may be working to a different specification and we will have extra costs. It is very concerning, but I foresee that European rules coming forward will affect Northern Ireland. Even though we are in a UK customs zone, it can leave us in a customs zone with higher costs because we are working to different EU regulatory requirements. I am sorry for expanding out on that one, but it was something I missed the first time round.

Chair: No, it is very helpful.

Aodhán Connolly: I want to be neither proscriptive nor prescriptive on this, as far as what is needed is concerned. The simplest one is the Swiss deal, which would remove around 80% of checks and 80% of paperwork. New Zealand is different in that things that are moved from New Zealand are usually three or four commodities per tanker, and there are huge amounts of them, whereas a medium-sized load going to the supermarket would have 650 and a large load would have over 1,200 different products on it, so it is not exactly the same.

However, I think there is a landing zone now. At the moment, it may look like we are on a parachute and are trying to land on the head of a needle, but there is a landing zone of a Northern Ireland style that would be more than regulatory equivalence but less than regulatory alignment. However, while we see the technical solution in this very easily, it is the political will that is needed to deliver it. Quite frankly, we have not seen that. Our big ask to the EU and the UK is to get into that zone, because time is ticking.

Q1068 **Stephen Farry:** I am conscious of time. I will follow up with Aodhán. Do you see the governance issue, particularly the role or concerns in relation to the European Court of Justice, as the area where some degree of flexibility and pragmatism could unlock something?

Aodhán Connolly: We have to look at what is in the structures. You have to remember that the EU is very clear that there is flexibility within the *acquis*, but you cannot break the *acquis*. You can bend it until almost breaking, but you cannot break it. Then we have the ability within the joint committee to move on these things. In particular, if you look at the



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one of "at risk", that can be broadened just by the joint committee. The joint committee has that power. We need to see it flexing that power. We also need to see it having meetings lasting longer than one hour.

For example, we in the Brexit working group regularly have two or three-hour meetings where we are trying to hammer out a joint position for 15 trade bodies that cover over 85% of business in Northern Ireland. We want to see the same with the EU and the UK hammering out those things, but we also need to see the same with them doing it with us, because any of this stuff needs to be done with business, not to business.

Q1069 Ian Paisley: This is quite a worrying presentation all round. If we take some of the survey findings there, those who want to see the protocol changed, mitigated or compensated for, combined with those who want to see it scrapped, it is over 73%. Of those, 77% have had problems and they are still persisting. A number of farmers, 100% in some instances, want this protocol scrapped. Aodhán was very good at setting out that, if he had Lord Frost in a room on his own, he would seek three major changes: the at-risk category being broadened, the trusted trader scheme being improved beyond paperwork in that regard, and then the veterinary agreement with a guillotine clause.

Could I ask our other witnesses, namely Victor, Ricardo and Sarah what, if they had Lord Frost in a room on his own, they would put on a wish-list or a checklist in terms of changes the protocol?

Chair: That is a very leading question, Ian.

Ian Paisley: Yes. That is the space the Government are in, in terms of wanting to seek changes. If it is not sustainable, where do they want to see changes? Do you have them with regard to your sector? Aodhán has outlined for his sector and there is probably some overlap there, Aodhán, to be fair, but let us go through them, Victor, Ricardo and Sarah. If you had Lord Frost on your own, what would you really want to see changed, so that we could maybe help push for those things?

Victor Chestnutt: Again, we will need to go through everything sector by sector, and I am not going to go over my initial presentation, but we need flexibilities delivered. If the EU is not going to come to the table, we need these implemented from the UK unilaterally. We cannot go on as we are going. Our pedigree cattle society and sheep farmers are devastated. Having said that, we do not want to throw the baby out with the bathwater. We want to keep our produce going both ways. We need him, along with the EU, to lobby for that *[Inaudible]* process. If we are in an EU regulatory zone, we need to be part of that regulatory zone.

If Northern Ireland is to be considered a place apart, it needs those flexibilities imposed. Talking to our chief veterinary officer, he now has the EU's veterinary officer in a better place to be understanding these problems and I think that solutions are sitting there. We need them implemented and they need implementing some way or the other, either



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with or without the EU's blessing, because, otherwise, being part of the UK does not mean anything for us.

On food produce, I will diverge a little bit. I was at the Yorkshire show the day before yesterday, talking to a man I know very well who is head of M&S agri-food. He said things are getting worse as far as he is concerned. That is going both ways. Rather than things improving, they are getting worse. Our industry here is battling away to get through it. Yes, it has extra cost and we are managing to get our stuff out both ways not too bad, probably better than we had feared at the start, so we do not want to throw those bits out, but there are those other issues.

We need seeds. Fundamentally, in farming, if you do not have seeds, you do not have a crop. To block this is of absolutely no use. We need this regulation that I was talking about for our PPP and our animal medicines. We need a solution to that. We are too small a marketplace to ask for these authorisations. Either the UK Government are going to have to pay for those, or they are going to have to get some derogation from the EU so that either the EU or the UK authorisation covers us here in Northern Ireland. We cannot be left in no man's land. I will leave it at that.

Ricardo Tonelli: There are three things mainly. If I had Lord Frost in a room, I would ask him to urge clarity and alignment with all the stakeholders and ensure that he is aware of the potential bottleneck that a place like a port can create if it does not work properly. I would ask for an appreciation of the work that has gone on to make sure that people can keep trading and going in and out, and an appreciation of what will come next, with a potential new set of rules and regulation.

For the second point, I would need Liz Truss in the room. It would be the appreciation of how a freeport could help Northern Ireland operate within the protocol in a way that is conducive to mutually beneficial growth of both the EU and Northern Ireland in the context of GB. That is not insignificant. I know I keep harping on that point, but, in my capacity, I feel strongly about it. That is it.

Stephen Kelly: The big thing for me is the treatment of "at risk", but there are other things as well. I will give a practical example when I explain this. There is very little appreciation across Whitehall about the position that Northern Ireland finds itself in and its responsibilities towards Northern Ireland through the protocol. As an example, the UK decided on safeguarding tariffs around the importation of steel products. Being a little bit lazy when the document came out, I originally word-searched "Northern Ireland" within the document. There is only one reference to Northern Ireland in the entire document, and it references the number of scrap metal merchants that we have in Northern Ireland and nothing else.

As you know, Mr Paisley, we were dealing with some of your constituents on the issue around the importation of steel earlier this year. There is a responsibility there right across Whitehall to understand the protocol,



before taking action, to appreciate where there may be conflict, friction or issues there, and to reach out and ensure that Northern Ireland has full consideration whenever Whitehall changes its plans or Westminster changes its rules.

Victor rightly talked about EU rules changing and that has an impact on us. Equally, when Whitehall changes, it has a big impact on us too. If the first example of that is the safeguarding tariffs on steel and there is no reference to the protocol, Brexit or Northern Ireland other than the count-to-six number of scrap metal merchants that we have, that is a concern. Why is that a concern longer term? There is a lot of effort going in to deal with many of these issues at the moment. Many of them are characterised as hearts and minds issues. They are very important for individuals, but, in terms of the wider and bigger economic picture, it does not have a significant impact.

Our worry is that the hearts and minds issues are dealt with at some point, by either agreement or unilateral action, over the next number of months, and we are left hanging with some more important things from an economic perspective, such as how to ensure EU-origin goods flow the whole way through the supply chain in GB to Northern Ireland without tariffs being applied. How do we ensure that goods that are only destined for Northern Ireland or returned back to the rest of the UK do not have to go through the full frontier declaration process, which includes supplementary declarations, so capturing information for absolutely no purpose or reason?

Those things would make a more significant difference to our economy, but if we are concentrating only on the hearts and minds stuff, and then they forget about us and move on to some other policy area, that is a problem.

Q1070 Ian Paisley: Stephen, on the Whitehall point that you make, you make it well. The trade and co-operation agreement says that these new arrangements “should impact as little as possible on the everyday life of communities both in Ireland and Northern Ireland”. The words are all there. That is in black and white. That is how it should operate. Where do you put the blame for them not implementing those words: impacting as little as possible on the communities? What you found in your survey, which is very helpful, shows that this has impacted considerably and detrimentally.

Stephen Kelly: Those words are in the protocol and not in the TCA as you mentioned. Aodhán referenced it earlier. My description of this is that the EU is speaking in binary, so in ones and zeroes and ons and offs; the UK is speaking in poetry; and business is here in the middle trying to speak about realities. There is no doubt that both sides need to move on this.

The UK accuses the EU of taking an absolutist approach to this, but, equally, it has bought itself this big, massive bag of sovereignty and has



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not demonstrated to or engaged with business about what it wants to use that sovereignty for. Surely, if you are now a sovereign nation, you would do things for the economic interest of your entire country and your consumers. Doing a deal with the EU on agriculture that it can live with needs to be done because that is the right and sensible, and sovereign, thing to do.

We have given quite a detailed report to both the UK and the EU. Aodhán talked about some of those ideas in it. I am not sure if the Committee has seen that at this point, but we will certainly share it with you. It talks about technical detail, stuff that is in the realms of possibility and stuff that would make a significant difference, so that the ambition in the preamble to the protocol that you have just outlined, Mr Paisley, is met.

Q1071 **Ian Paisley:** Sarah, if you had Lord Frost to yourself and were able to pour something into his ear in terms of your wish-list of what he should immediately address for you, what could we put in that checklist?

Sarah Hards: I was part of a Cabinet meeting a few weeks ago. However, I was at a wedding at the time, so I do not know if it made that much sense.

Chair: Sarah, you are between friends and nobody else is listening. If there is anything you want to tell us, do feel free. Spill the beans. If you have any photos or anything, it would be great.

Sarah Hards: Do you mean about the wedding?

Chair: Yes, generally.

Sarah Hards: It was great.

Ian Paisley: The Prime Minister was not the groom, by any chance, was he?

Sarah Hards: No. It was in the Cotswolds. It was very nice. It is nice to get away, but there you go. Okay, what is the wish-list? I am in agreement here with all the other witnesses. We need a trusted trader scheme and it needs to be much further-reaching than what is currently in place. It puts the GB suppliers on a level playing field with Europe to smooth everything out on customs declarations when it is coming across from GB to Northern Ireland.

We need more education for the GB suppliers. I feel like we have been inundated with information here in Northern Ireland, which is great. We know what we are talking about, but it is our GB counterparts who really do not. Well, they do know what they are talking about. The retailers have really tried. The retailers are doing a good job, but it is the smaller businesses that were importing into Northern Ireland that are just not willing to do it any more, as well as other logistics companies.



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We have set up workshops for our customers and I would really love to see our counterparts in GB doing that as well for their customers, to say, "This is doable. Bring your goods across. We can send them across". We are not currently charging for customs declarations through our network either, but I would say that will change in the new year.

What else do we want? We want clarity for 2022. What is going to happen from NI to GB? I understand that there is going to be some sort of declaration on goods moving from NI to GB. We do not know what that looks like at all at the moment. Could we set up a service for our customers? Would we have to bring someone in? Will it be sub-contracted out to a customs broker? It would be good to be prepared and feel good about going into the new year rather than what it felt like last Christmas, which was a mad dash.

Q1072 Ian Paisley: On the issue of a declaration on goods going forward for 2022, Northern Ireland to GB, do you not find it profoundly upsetting that, for you to move goods from one part of your country to another, you need to fill in a form?

Sarah Hards: It is something I did not realise was going to have to happen. The big headline when it came to Brexit for moving goods from NI to GB was unfettered access. I thought, "This is great. This is going to work okay for us in Northern Ireland exporting goods". If you read on down, that changes as time goes on. It is very disappointing to hear that we and our customers will have to do that, but we do not know. We do not know what that is going to look like moving forward.

Q1073 Ian Paisley: Have you been given any understanding or reasoning as to how such a declaration would protect the European single market when this is moving within the UK single market?

Sarah Hards: No. I do not have the knowledge on that really at all.

Q1074 Ian Paisley: If you were a Yorkshire, Gloucestershire or Dorset company and you were asked to do that by the Government, you would crack up, to use a local phrase. Why on earth should you have to do that to move goods to another part of the UK? It seems that Northern Ireland companies are being expected, within their internal market, to do this and it does not even protect the European single market. You get the reasoning if it is to protect the EU single market, but, for something that does not even impact on the European single market, this is completely and totally unreasonable.

Sarah Hards: I see there are a few hands up there that maybe will be able to answer this question better than I can. If it has to be done, if there is good reason behind it, I would be more than happy to hear it, but it is clarity on the issue, and how we can approach it going forward, that we and our customers need.

Ian Paisley: Thank you. That is really helpful.



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I think we have lost the Chair and we do not have Robert. I think that makes Gregory the next senior person.

Claire Hanna: I think Stephen had his hand up.

Mr Campbell: Go ahead, Stephen. The floor is yours.

Stephen Kelly: To pick up on Sarah's last comments there, we are engaged with HMRC, the Cabinet Office and others. No one has outlined any model for what Northern Ireland qualifying goods will be. No one has suggested that there would need to be paperwork or forms filled in, et cetera, at this point. That may well come. There was a lot of work done towards the end of last year on identifying a process around what Northern Ireland qualifying goods would be to ensure that only Northern Ireland produce benefits from unfettered access into the rest of the UK.

Now, there are parts of business, particularly around agri-food, that want to avoid Northern Ireland being used as a backdoor into the rest of the UK for Brazilian beef or whatever the case may be. They want to make sure that they benefit from unfettered access only themselves. We talk regularly to them and we ask them to finally settle on the process for Northern Ireland-only qualifying goods so that only Northern Ireland benefits from unfettered access. They have not outlined what that model is for us just now. Hopefully, I have talked long enough to allow the Chair to come back in.

Chair: We had a temporary power cut here, which meant that all the hubs went off. That is what happened. I am hoping that it will not happen again. There is some work being done outside, and I think that might have not helped. Forgive me. Mr Paisley, I think you were asking a question.

Q1075 **Ian Paisley:** It was just to ask Stephen about a practical example. Take a product like Baileys that has Northern Irish whiskey in it and that has cream made in Northern Ireland, but processed in the Republic of Ireland and brought back to Northern Ireland. How would that be affected? Do you even know? That is probably a less complicated product.

Stephen Kelly: The answer is that we do not know. The answer is that nothing has been confirmed on this. We had a lot of conversation, as I said, towards the end of last year between business and HMRC about defining what a Northern Ireland qualifying good would be, but, at this point in time, HMRC has not announced what that is because it does not have ministerial sign-off on what that should be. The process is there for good reason, which is to ensure that only Northern Ireland produce enjoys unfettered access and not anything else from anywhere else in the world.

Q1076 **Ian Paisley:** Take a bus manufacturer that was using steel made in Turkey and brought into Northern Ireland. If that product was then to be sold to be used in the streets of London, namely our red double-decker buses, how would that qualify?



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Stephen Kelly: It would qualify because it was produced in Northern Ireland.

Q1077 **Ian Paisley:** What about the steel as the raw material?

Stephen Kelly: That is covered in the UK's usual rules of origin in terms of its own imports, so that will not have any issues. Anything that is made here will have unfettered access. The challenge is the stuff that is not made here that people may try to bounce through Northern Ireland just as a centre of distribution. That should not enjoy unfettered access. That is why the process is there. We have been clear to HMRC that there should not be any origin rules around Northern Ireland goods going to the rest of the UK marketplace. It accepts that, but, until we have this ministerial sign-off and HMRC announces it, we are all speculating on what unfettered access in the long term will look like and whether there is even a requirement for a forum.

Chair: Mr Chestnutt, you have your hand up in the air. Is that a historical hand?

Victor Chestnutt: No, I wanted to come in to back up Stephen Kelly earlier on there, when he was talking about the at-risk goods and Northern Ireland businesses. This is more of UK to NI. What we would say to Lord Frost is that Northern Ireland farm businesses need to be considered as dead-end hosts, as indeed I think Northern Ireland addresses are for single-item parcels and things, because this is all about risk to the EU single market. If you are getting one part for a tractor into a farm in Northern Ireland, it should not be at risk.

There should be some sort of a system whereby, if a single address in Northern Ireland suddenly gets 100 TVs twice a week, a flag comes up and that is investigated: "Where are these going?" For single parcels and items coming to single addresses in Northern Ireland, to me, they should be considered as dead-end hosts.

We moved on then to talk about NI to UK mainland, at-risk goods there and what is considered a Northern Ireland good. We had a chat there about the buses. We are seeing this in the agri-food industry. We had a lot of discussion about our red meat sector because we were concerned that Northern Ireland businesses would be used as backdoors, to backdoor that product into the UK from anywhere around the world.

The proposal we had come up from was that it was anything slaughtered in Northern Ireland, which meant it was passed by a vet. That would allow some southern beef to come in, but there would be only an amount that could come. We have a slaughter capacity of a certain size in Northern Ireland and that would keep that back. It would stop product coming, being re-boxed and entering the UK, and Northern Ireland being used as a backdoor. I just wanted to add that little piece.

Q1078 **Claire Hanna:** I have a question to Victor Chestnutt. I wanted to pick up on a couple of things. I wanted to pick your brains about those



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regulations, because I read in the media today about 800 new rules that had come in, but I have not been able to find any of the detail. Are there rules there that Northern Irish farmers would wish to reject?

Victor Chestnutt: Yes, there most certainly are because there are rules there that will add to our cost base. I was just glancing at it myself. I have not fully studied it, but the first thing they were targeting for carbon was fertiliser. We are in a different pricing structure because of those rules and then, because of that, Northern Ireland, compared to the UK, which is our main marketplace, is at a disadvantage in its own customs territory. There will be rules there. We have no way of feeding into the animal health rules that were made with Europe. Again, they are very onerous from what we have looked at, so there are rules there that we want an input into and that we would wish not to be enforced in Northern Ireland, because with rules come costs. Costs leaves us uncompetitive in our marketplace.

Q1079 **Claire Hanna:** Broadly, they are rules about environmental protections and animal health standards, are they? At the moment, we do not believe that the UK is diverging or dropping its animal standards or environmental protections.

Victor Chestnutt: No, but some of these rules seem to be quite draconian and do not seem to suit a Northern Ireland perspective. I could go into the specifics on them. We are [*Inaudible*]*—*the size of our farms, how cattle move from part-time farmers on into other lots and all the rest of it. On pre-movement costs, for instance, according to how many you are doing, if you have to get a vet out to test one animal, it can cost £50; if you are doing 15 or 20, the cost reduces, but you will have an extra cost every time an animal moves to comply with these EU rules, which really hurts us in Northern Ireland.

Q1080 **Claire Hanna:** Brexit has created a democratic deficit and challenge in some way. I want to clarify UFU policy. Is it still that we are better to have the protocol than not to have the protocol?

Victor Chestnutt: We are not saying “scrap the protocol”. We are saying that there are things that need fixing within it. Let us get the political will to fix those things. Whether to have the protocol or not to have the protocol is for you guys who I am talking to, not for the UFU, to say. We will try to work with whatever you put in front of us, and show you where it is working and where the shortcomings are, but we are not in politics with a big P. We are showing you where the issues and shortfalls are.

Q1081 **Claire Hanna:** What about unilateral announcements and mitigations there? Is it official UFU policy that you want the UK to announce unilaterally measures outside the governance structures for the protocol?

Victor Chestnutt: We would much rather this was done with the EU's blessing, but one thing we are sure of, as an industry, is that we need change. Things have to change. Some things were changed unilaterally in the early parts that helped us. We would much rather it was done



amicably between the EU and the UK. All we know is that we need change. That is where we are.

Q1082 **Claire Hanna:** The official policy is still to use the agreed governance mechanisms.

Victor Chestnutt: Yes, but we do need change.

Claire Hanna: Good. I wanted to clarify because, obviously, that is important.

Q1083 **Chair:** Mr Connolly, I know you were very heavily involved, throughout the process really, with the roundtables with the EU and with Whitehall. Are those conversations and that engagement with the sectors of business across Northern Ireland still ongoing between the two parties? I was rather concerned to hear you say that Lord Frost is due to make a speech next week, but, effectively, you are blindsided on what it might be.

Aodhán Connolly: That is absolutely correct. Again, it is not just on the UK side. The EU has put forward proposals on medicines that will affect medical supply, but it is not just for hospital medicines. It will affect GSL and over-the-counter medicines as well. We need to see that, because some suppliers will have to give six months' notice if they are going to de-list something and, if there is going to be a solution, we will need to see how that works out for retail and what we need to do to fulfil those new responsibilities. Similarly, we have not seen what Lord Frost is going to do. We are having individual sector meetings with the Cabinet Office and the NIO.

Q1084 **Chair:** Are they still ongoing?

Aodhán Connolly: They are still ongoing, but they are very ad hoc. At the start of the year and even last year, we had the business engagement forum. At the start of the year, we asked for that business engagement forum to have regular sessions, with an agenda that we can input into, which would be more than an hour of everybody being able to say what their concerns are, so that we would be able to get into a deep dive.

If we have the agenda long enough ahead, say a week beforehand, we can involve the customs experts, the technical experts and the SPS experts, so it would be a rolling technical deep dive rather than a pat on the head, "aren't we doing well?" exercise. That is where we would still like that to get to. You have to remember that this is a hugely technical process, which tends to have been sidelined by the political process.

Chair: I am taking a note of that. We have a debate in the House this afternoon on the protocol and you have all given us food for thought. I see no other colleagues have indicated that they have a question, so I am going to draw our proceedings to a close this morning.



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On behalf of the Committee, thank you to all our witnesses. I am tempted to say it was a bit like the Woolworths pick-and-mix, for those of us of an age who can remember the Woolworths pick-and-mix. From the way Aodhán smiles, I can tell he remembers it as fondly as I do. There really was something for everyone. Irrespective of where one might sit in the debate, we have all heard statistics that will help our case or causes for concern and alarm. I suppose that is one of the great things as a Select Committee. Slowly but surely, we tease out the information, the sands clear and we are able to see the picture in far sharper relief.

I apologise again for the technological glitch that forced me to drop out. One of my colleagues told me that, in my absence, it was a bit like *Lord of the Flies* and everybody was going to be arguing over the conch shell. I am glad Dad was back to restore order. I wish you a safe and happy rest of the summer, and doubtless we will be talking about these things in the autumn, but hopefully with progress made and a favourable prognosis identified. Thank you all very much indeed.