

# Northern Ireland Affairs Committee

## Oral evidence: [Unfettered Access: Northern Ireland and customs arrangements after Brexit](#), HC 161

Thursday 30 April 2020

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Members present: Simon Hoare (Chair); Caroline Ansell; Scott Benton; Mr Gregory Campbell; Stephen Farry; Mr Robert Goodwill; Claire Hanna; Ian Paisley; Karin Smyth; Bob Stewart.

Questions 1-44

### Witnesses

**I:** Wesley Aston, Chief Executive Officer, Ulster Farmers Union; Aodhán Connolly, Director, Northern Ireland Retail Consortium; Anne Donaghy, Chief Executive, Mid and East Antrim Borough Council; Angela McGowan, Director, CBI Northern Ireland; Professor David Widdowson, Chief Executive Officer, Centre for Customs and Excise Studies.

Written evidence from witnesses:

- [Centre for Customs and Excise Studies](#)
- [Mid and East Antrim Borough Council](#)
- [Northern Ireland Retail Consortium](#)
- [Professor David Widdowson](#)



## Examination of witnesses

Witnesses: Wesley Aston, Aodhán Connolly, Anne Donaghy, Angela McGowan and Professor David Widdowson.

*[This evidence was taken by video conference]*

Q1 **Chair:** Good afternoon, colleagues and witnesses. Welcome to our first ever virtual meeting of the Northern Ireland Affairs Committee. It is our hearing on unfettered access, customs arrangements after Brexit. I would suggest that is a key issue for the unity of the United Kingdom, for the economy of Northern Ireland and, indeed, for the island of Ireland as a whole. It is a crunch issue and a crunch time for businesses to know what the rules are going to be and how it is going to affect them.

This is the first virtual meeting we have had. I have some housekeeping notes to go through so that we all know where we are. I would ask you all to pray to whichever god you believe in, cross your fingers and hope this all goes as seamlessly as we can possibly hope it will. My microphone is going to be live throughout and everybody else will be muted unless they are called upon to speak. This is a formal meeting of the Select Committee, so the usual Committee formality and language should continue to be used. The operators will unmute your microphone when you are asked to speak.

We have created a WhatsApp group, and colleagues are asked to use that as a communication tool through to me and to raise their hand if they wish to speak. I will try to make sure that those who are controlling the mics know the order in which we are going to be called. It is of particular importance for colleagues when asking questions to our witnesses to make sure they identify which witness they want to answer that question, so that microphone can then be made live.

I think that is probably it from me. I would like to thank our witnesses for attending. For the record, could the witnesses please introduce themselves and state their position or role within their organisation?

**Wesley Aston:** I am Wesley Aston. I am the chief executive of the Ulster Farmers Union.

**Aodhán Connolly:** I am Aodhán Connolly. I am the director of the Northern Ireland Retail Consortium.

**Angela McGowan:** I am Angela McGowan, director of the CBI in Northern Ireland.

**Anne Donaghy:** I am Anne Donaghy, chief executive of Mid and East Antrim Borough Council.

**Professor Widdowson:** I am David Widdowson, the chief executive officer of the Centre for Customs and Excise Studies.

Q2 **Chair:** Thank you very much indeed. As members of the Committee, we



have a series of questions to put to you. We will go through those in order and then colleagues can come in with supplementary questions to seek clarification on things that you happen to say. I have drawn either the first prize in the lottery or the short straw by trying the very first question, which I think, based on a perusal of your CVs, is possibly best answered in the first instance by David Widdowson. What were, in your estimation, the key differences between the new and revised Northern Irish protocol and the previous backstop?

**Professor Widdowson:** It is fairly obvious that a unique situation has been created now with the establishment of Northern Ireland as part of not only the EU customs union but also the UK customs territory. That is clearly the defining factor between the two. It certainly raises a number of issues from a customs point of view, which would have been quite different to address under the previous arrangements.

**Aodhán Connolly:** For us in retail, the first iteration had very little friction between Northern Ireland and Great Britain, and vice versa. We are now talking about new regulatory, jurisdictional and enforcement issues to the free flow of goods, including different customs arrangements, as David so eloquently put it. De jure, Northern Ireland remains part of the United Kingdom, part of the United Kingdom customs union, but de facto Northern Ireland will be in a single SPS—sanitary and phytosanitary—zone with the EU and will be administering the EU customs code, so there will be the need for checks.

On the customs side, unless goods can show that they are not at risk, there will be the presumption that they are at risk. With these checks, should it be for SPS, VAT or customs, there is friction and delay, and each of those has a cost. That is the main thing for us in the retail industry. First, retail is a very high-volume, low-profit-margin industry. Secondly, and perhaps more importantly, Northern Ireland consumers' households have half the discretionary income of Great British households. That means that, if there are cost rises because of these extra frictions—this myriad and jigsaw of frictions that we will see under this new protocol—quite simply, households across Northern Ireland will not be able to cope with those price rises.

**Anne Donaghy:** Mr Chairman, I would first like to thank you for the opportunity to present to the Northern Ireland Affairs Committee on what is a really important issue for the Northern Ireland economy and our supply chain. I am from Mid and East Antrim Borough Council, and we are home to the port of Larne. That has been a gateway from Northern Ireland to GB, and vice versa, for centuries. It is the closest crossing east and west.

Our council area is placed within the eastern corridor of Northern Ireland, which has 55% of the economic activity. We rely very heavily on the GB internal market. It is a key market for us, covering a wide range of sales and goods. For example, sales and goods between Northern Ireland and GB is £7.6 billion. Purchases is £10.5 billion. That is 53% of the Northern



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Ireland market. It is really important that we focus on where we are now and how we implement the Northern Ireland protocol. We would draw on the Prime Minister's assurance of unfettered access. For that to happen, how do we work together? It is very clear that Northern Ireland is a key core market of GB.

**Q3 Chair:** David Widdowson, in your estimate or guesstimate, do you think that Monsieur Barnier, with his negotiating team, was alert to the complexities and intricacies of trying to secure unfettered access among two single markets?

**Professor Widdowson:** I cannot comment on what was in his mind, but what has been produced as a result is very complex on the surface. I am quite hopeful that some fairly pragmatic solutions can be implemented from a customs point of view, despite the complexity of the arrangements that have been put together. When you read the protocol, it appears that Northern Ireland is bogged down in not only the legislative quagmire that the union customs code provides, in terms of the EU, but also has to deal with the UK customs arrangements. I should say at this stage that I do not know what those arrangements are. We can only assume they will be similar to what the EU has and what the UK is currently using.

From a regulatory point of view, Northern Ireland has been put in a bit of a hotspot and, in terms of customs clearance, is going to be dealing with two systems. If it is an EU import or export, they have to deal with it on the basis of the union customs code from the EU. If it is a UK import or export, they have to deal with it on the basis of the UK legislation. The resulting protocol, which we now have before us, is quite complex in its reach and the way it has been put together.

**Q4 Chair:** Do you think it makes Northern Ireland an attractive place to do business?

**Professor Widdowson:** In terms of Northern Ireland as a market, with the customs principles and practices that result from what the joint committee has to decide on, potentially it can be a very attractive market. If we achieve unfettered access from the Great Britain side and also access to the internal market of the EU, potentially it could, but I am not an economist. I am purely looking at the customs procedures that would apply in different situations. Perhaps the extent of the attractiveness should be left to others to comment on.

**Q5 Chair:** Maybe I could ask Mr Connolly and Mr Aston for their short assessment of that.

**Aodhán Connolly:** Those are some very big ifs on whether it will be viable. Perhaps if I give you an example it would bring it to life a wee bit better. We account for about 70% of the value of everything that crosses from Great Britain to Northern Ireland; 70% of the value of everything from Great Britain to Northern Ireland is going to retailers' shelves. We did a bit of work before Christmas looking at different loads and what



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that would actually mean. One of the loads that a member picked at random had 1,392 different products on that one lorry, which was going to a grocer. Each of those different products needs an export declaration, and that can be from £15 to £56 for the export declaration.

Of those 1,392 products, around 500 were products of animal origin. Under the current protocol, unless there are mitigations and all those big ifs, there would need to be an export health certificate. Currently, in Great Britain, an export health certificate goes to over £200. If you multiply that by the 500 products of animal origin, and given that you need a different tariff code for each of those 1,392 products, as well as people to do the work, you can see how the costs rise. The fact is that, if all the paperwork is not right, that lorry is not getting on that boat and there is a delay, and that affects the just-in-time supply chain.

This is where I keep talking about the myriad and the jigsaw that needs to be put together. If we do not have those mitigations, it is a very simple equation. If the new costs because of this protocol are higher than the profit margin, either the product or the business model becomes unviable. It is as simple as that.

**Q6 Chair:** Mr Aston, do you have anything to add from an agricultural point of view on the attractiveness or otherwise of doing business in Northern Ireland?

**Wesley Aston:** I am not going into the specifics that Aodhán has outlined. In principle, we would have concerns about how this differs compared with the previous agreement, where the protocol effectively applied to the whole of the UK. As soon as there is a potential to create differences between GB and Northern Ireland, there will obviously be additional bureaucracy and administration costs associated. The extent of that will depend on the deal that the UK ultimately agrees with the European Union. There is potential for advantages, but equally there is potential to make this a much more difficult place to be here in Northern Ireland. We could be seen to be the worst of all worlds, rather than the best of all worlds. At this stage, it very much depends on the outcome of what the UK and the EU ultimately agree.

**Angela McGowan:** From our perspective, I would agree with what David said earlier. It could be hugely complex, and it is probably more complex than the previous deal. None the less, when we look at it, we always look at it in the round. This saved the Northern Ireland economy from a no-deal Brexit. As you know, much of the analysis done from various quarters showed that Northern Ireland would be very hard hit by a no-deal Brexit—the hardest out of all the UK regions, in terms of job losses and the disruption to exports and supply chains.

From our perspective, this protocol was a lifeline. It got us the withdrawal agreement and it allows us and the whole of the UK to move on, to get a good trade deal. That trade deal will obviously impact how the protocol plays out. I accept that it is a very complex situation. It is quite



unprecedented, and I suppose that reflects the unique nature of Northern Ireland, its history, its geography, et cetera. There is an onus on business to work with Government to make it work, because it is going to be quite complex in ways, but if we work together that is what we are pushing for: information and collaboration with Government so that we can find those ways.

We all have to approach this in a more innovative way. It is like with Covid: things change and we have to adapt. We have to find innovative ways to make this less complex and get some clarity on particular issues. For us, we have gone beyond whether we accept the protocol or whether it is better than the previous backstop, et cetera. We just need to think about how we make it work. Certainly the unfettered access would be a huge benefit to Northern Ireland, in terms of making this easy to work. Like the previous speaker, we sincerely welcome what the Government said in *New Decade, New Approach* about setting that down. The unfettered access for Northern Ireland is hugely beneficial.

**Anne Donaghy:** Northern Ireland has a lot to offer. We are world class in what we do, in our agriculture, in our manufacturing, and we are really innovative. It is very important, in the implementation of this, that we do not become over-bureaucratic or cause restrictions to trade, and that there is no friction in the system. That is because, in support of the UK Government, we want to be innovative. There is no more important time to be innovative across not only the UK but the world as we come out post-Covid. Unfettered access is a really important way forward for us all.

Q7 **Chair:** Generally, in terms of stakeholder engagement to get this issue to land as correctly as possible, how are you, as organisations and individuals, finding it? Is it okay? Is there room for improvement? Is it woefully inadequate? Mr Aston, with his hand up first, seems to want to get something off his chest. I should have said beforehand—forgive me, I knew there was something I had forgotten—that we have two hours for this meeting. I will be looking for short questions and focused answers.

**Wesley Aston:** As a focused answer to the question, I have not talked about Brexit for some considerable time, having spoken about it for the previous four years. We have had no involvement, no engagement. That is my succinct answer.

**Aodhán Connolly:** We have had Task Force UK come to Belfast to do round tables. We have had each of the political parties from Northern Ireland sit around a table and talk. We have not had much from the Westminster Government, if I am being honest. Of course we have talked to the Secretary of State for Northern Ireland and that has been very welcome, but we have not had the sort of engagement that we had prior in the process and even up to perhaps last July.

One thing we have been asking for in quite vociferous terms is reconstitution of the alternative arrangements working group, to look at the possibility of using some of the good work done there for the Irish



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Sea trade, rather than for the land border. Honestly, I completely agree with Wesley. There has not been the same level of contact that business needs now.

**Anne Donaghy:** I want to share with you the real concerns, worries and fears of local businesses as to the implementation. We have made our plans around the Prime Minister's assurance of unfettered access, but then, when we listen to the messages and the statements coming from the chief negotiator and the EU, they are not as encouraging for business. It is a real opportunity to increase the communication and stakeholder engagement. I know local businesses are really eager to have their say. The joint committee will play an extremely important, pivotal role in helping to shape that.

Q8 **Chair:** Is the economic development function of local government being tapped into, or are you being overlooked?

**Anne Donaghy:** There is more room, in terms of economic development locally. Our focus, in the past number of months, has been on Covid and getting business supported. There is more that local councils can do in helping trade, but it has to be a joint effort. It has to be us all working together to get the trade, to keep it fair and equal, and to keep competitiveness and innovation high across the four regions of the UK.

**Angela McGowan:** I concur with previous comments. The engagement with business needs to be ramped up at this stage. It is really important that policy is not made in a vacuum, because good policy needs to have wide consultation. We would like to see much more consultation with business and to have, for example, ideas about how things could work run past the business community so we could road test them. We have shown, during the whole Covid pandemic, that it is really important to get that feedback into Government. It works well when there are really good communications and we find solutions together. That is what we need to do for this.

Q9 **Ian Paisley:** I thank the witnesses for their evidence to date. The special committee, I understand, met on 30 March and is meeting again today. Do any of the witnesses feel that the committee is business-light and that there is not sufficient business input into that committee, so they can actually hear what the specific needs are, as Ms Donaghy has said, to make sure we have completely unfettered access across the UK? My impression is that it is Civil Service and bureaucracy-heavy. Indeed, they seem to talk about the Good Friday agreement and principles, but they are not getting down to talking about the nitty-gritty of business needs.

**Chair:** Mr Connolly is chomping on the bit.

**Aodhán Connolly:** I would not go that far. The joint committee has had its one virtual meeting, and today is the meeting of the specialised committee. I think there is a perception in what was agreed. The EU thinks it is strictly about the implementation and the legislation that is explicitly within the withdrawal agreement, whereas the UK thinks it is



more about the negotiation. We have been very clear. We have said this to Her Majesty's Government, and we have said it to the EU as well, that the joint committee needs to talk to business. It needs to talk about the evidentiary threshold on how it is going to judge what is at risk and what is not at risk. You have to remember that what the joint committee decides will pretty much mould how our business looks for the foreseeable future.

We do not feel there has been enough business input yet, but we will need to be able to talk to the specialised committee, which will have more of a role in looking at the needs of business. We still need to be able to give evidence to that committee, in the same way as we are giving evidence today, on solutions and challenges, providing it with the problems and possible solutions. As of yet, we have not seen that. It is early in the process, of course. We have to remember that there are only eight months until this happens, so they need to step up their engagement as well.

**Q10 Chair:** In the interest of time, I am going to ask one hopefully short question. I am going to restrict this to Mr Widdowson, unless colleagues wish to come in. Can I take us to the role of the joint committee? That seems to be invested with the needs of the judgment of Solomon in implementing the Northern Ireland protocol. How do we think they are going to decide what is at risk of being imported into the EU single market? Are we trying to invest skills, experience and knowledge in them that are beyond human comprehension or attainment?

**Professor Widdowson:** It is a critical issue that they have to address. The way in which they address it is going to have a major impact on whether access is fettered or unfettered. Bureaucrats can have a habit of making things extremely difficult. Even some of the words that are already in the protocol suggest they may be heading down that track. The important thing is for Committees like this to get the message across to the people who are sitting on that particular joint committee to look at the practicalities of how this can be achieved, how unfettered access can be achieved, not why it is not going to be achieved.

There are some practical aspects that they can look at. There are a number of practices, which are contemporary customs practices, that would allow the vast majority of intra-UK trade to have complete unfettered access. It really depends on the attitude of the people who are sitting around that committee. If some pressure is applied from places like this particular Committee to point them in the direction of ways things can be done and to express an expectation that minimal intervention will occur, from a customs point of view, we have some hope.

**Anne Donaghy:** The committee has a really unique set of circumstances to unpick and absorb, to understand the trade links between Northern Ireland and the rest of GB. They have a once-in-a-lifetime opportunity to get that right. It is really important that they get the heartbeat of local



trade in Northern Ireland. In terms of the new relationship with the EU, it is a unique opportunity. The joint committee can get flexible and practical solutions as to what we can do. There would be no need for customs declarations and checks if we could do that with the joint committee.

**Q11 Stephen Farry:** Greetings from a rainy Bangor, County Down. I have a couple of questions that will probably lend themselves to fairly comprehensive answers, because they are trying to get to the real meat of how people think we can proceed. Before I get into that, I want to stress that I am not a fan of the protocol. I preferred the backstop, but we are where we are. One consequence of Brexit is that it lends itself to some degree of friction and a line on the map being drawn somewhere. We are also in the context that the protocol is there and we have to find answers inside that context, rather than trying to bypass it.

I will run the questions together and allow each of the witnesses to give their own comprehensive answer to it all. First, how do we define, or do you think we should define, unfettered access? Specifically in that regard, is filling in exit summary declarations compatible with the concept of unfettered access, or is that something we can reconcile with the reality we are in? More widely, I would stress here that we are talking about two different flows, one Northern Ireland to Great Britain and the other Great Britain to Northern Ireland, and the two are not the same in the scale of challenges we are facing. In both directions, what obstacles to the movement of goods across the Irish Sea might emerge in relation to the protocol? In what ways might these obstacles be mitigated or avoided?

**Wesley Aston:** In terms of defining what unfettered access is, this is primarily NI to GB trade. It is not necessarily the other trade flow you mentioned, which is GB to NI. That is one where Europe is clearly saying, "Sorry, we have our rules." That is not just about tariffs. It is about SPS controls, and the UK Government do not really have any gift in that respect. That causes us real concern in any event, anyhow.

In terms of movement from Northern Ireland to GB, certainly the exit declarations took us a wee bit by surprise when they were first mentioned. As mentioned by a couple of my colleagues earlier, it is a case of how you marry what the Government and the Prime Minister have committed to, in terms of unfettered access, and what everybody else's understanding of unfettered access is. There are real concerns about how you deliver on all those bits and pieces, especially around the trade flows in both directions, not just concentrating on one. That is all I would say at this point.

**Professor Widdowson:** The crux of the matter is that we need to look at why this protocol has been put in place in the customs context. Why are there customs words in that protocol? It basically comes down to two things. First, the EC wants to ensure that any goods being traded between the EU and Great Britain, in either direction, are in full compliance with EU laws. Similarly, UK Government should also be keen to ensure that those movements between Great Britain and the EU are in



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full compliance with UK law. The problem is that some of those transactions are going to go through Northern Ireland, and that is where the issue comes in.

Let us look at the EC to start with. When that is the focus of its concerns, the question is whether the controls it comes up with should apply to everything, or whether it should simply single out those transactions that are between the EU and Great Britain. With the UK having left the EU, they will be international transactions. They will be imports and exports: exports from Great Britain into the EU, and exports from the EU becoming imports into Great Britain. It is fair that those sorts of transactions should attract the customs formalities that go with imports and exports.

The issue is that many more transactions are simply intra-UK. They are the transactions that I understand my fellow witnesses have been talking about, where the goods are going from Northern Ireland to Great Britain, or from Great Britain to Northern Ireland. This is my reading of the protocol, and I will say "customs" or "HMRC", although I know the EU customs will also be involved in the decision making. If they say, "Only those imports and exports, EU-Great Britain, attract customs formalities and we let the others go unfettered", which is how it should be, the difficulty for customs is how we ensure that intra-UK trade is in fact legitimate. Are they trying to beat the system? That is the crux of the whole thing.

In my view, if some basic information is provided to HMRC—I do not think it needs to be anything like the export summary declaration that has been discussed—on which HMRC can judge whether it is a legitimate intra-UK transaction, it can back off and allow that transaction to go unfettered. In the early days, you might think there has to be some information fed into HMRC.

It is also important for Northern Ireland business to liaise with HMRC and say, "A lot of businesses here do business between Northern Ireland and Great Britain. There are regular shipments of these products, and this happens every day. This has been going on for the last however many years and it is going to continue." HMRC should use that information to help it identify those movements as low risk. Therefore, for intra-UK movements of goods from known companies that are regularly importing and have a good track record of that sort of trade, there should be an acceptance that, if that company is involved, we do not have to do anything. If it is a newbie, somebody else who has started moving goods from Great Britain to Northern Ireland or vice versa, there may be a need to identify whether that particular transaction or company presents a risk. For those that are known, it should be hands off.

**Q12 Chair:** I would underscore my request for focused questions and pithy answers. It may have been the other way round, but pithiness and focus would be appreciated. We have a lot of questions to go through and not



an infinite amount of time.

**Aodhán Connolly:** What David is talking about there is some sort of trusted traders scheme or recognition along the lines of an AEO, which exists at the minute but not for GB to NI. In the worst-case scenario, there are going to be exit summary declarations needed on goods travelling from Northern Ireland to Great Britain. By way of comparison, 31 data elements are required for goods moving from Poland to Ukraine. That is the worst-case scenario. All these possibilities that David talked about need to be decided upon, and we need to be given time to implement them. Otherwise, it is just not going to work.

A lot of talk has gone on about possible waivers and facilitations, and special third-country status. That will not happen. It needs to be pinned down. There is no "hail Mary" pass. There is no gentleman's agreement. This needs to be pinned down in legislation and treaty. Otherwise, we are going to have that extra friction that we cannot afford.

Q13 **Karin Smyth:** I would like to come back to Professor Widdowson. I think what you are describing is trade as is. We have been very hopeful that the Northern Ireland economy is on the up and needs to develop. Under your suggestions, how would we cope with new trade, developing trade, in the future—that is what we would like to see for the Northern Ireland economy—when those organisations do not currently have the sort of trusted trader status you describe?

**Professor Widdowson:** Trusted trader is just one of those levels. It becomes very simple for a trusted trader. For others, it does not have to be that difficult. If you use the analogy of a passenger hall, where there is a red lane and a green lane, those who go down the green lane are saying, "We are having intra-UK trade." Unless there is a risk-based reason for HMRC to question the veracity of that claim, they should be allowed to continue without any customs intervention. That can be achieved, and it is in full compliance with contemporary customs practice.

Q14 **Karin Smyth:** The UK Government have agreed, and this is the basis of the withdrawal agreement. The UK Government have agreed to this protocol and system. It is not just HMRC. Another party also has to agree to those provisions.

**Professor Widdowson:** Exactly, and that is where the joint committee comes in. They are the ones who may say, "We do not agree with having a green lane. We want to check everybody." We have to get them away from that method of thinking. Even, as I say, in the early days, there might be just a few pieces of information provided, on which customs, EU and HMRC, can make that judgment, but it should be done before the goods depart and there should be no further intervention by customs. It can be done.

**Angela McGowan:** Back to Stephen's question about the definition of unfettered access, it would probably be really useful if, rather than the Government committing to that committee in writing at this stage on



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their interpretation of the definition of unfettered access, they put a number of definitions to business and let us decide which ones would work best for the business community. For them to do deep dives, in terms of what their particular definitions would mean for large sectors such as agri-food and manufacturing, would be most useful.

**Anne Donaghy:** To the question put by Mr Farry, in terms of unfettered access, it would be no friction in the trade. We have lots of manufacturers that work on just in time. If friction is put into that system, it really impacts on our competitiveness in Northern Ireland. Even a light-touch digital implementation will still cause too much friction in the system.

Q15 **Mr Campbell:** I wanted to follow up on David's response and the analogy of the green lane and the red lane, in terms of accessibility. David—and maybe Aodhán could respond to this as well—do you think the committee will be able to establish, broadly speaking, what size or what bulk that green lane would occupy, in terms of the trade coming from GB to NI and vice versa, and how little is likely to be in the red lane? How can we get a pragmatic outcome that can make it as simple as possible in the green lane and at least smooth out the ripples and any problems that might emerge in the red lane?

**Professor Widdowson:** From my point of view, I do not have that information, but I am sure it is something that should be looked at. I am sitting here in Australia. I do not know the trade, but I assume, from what I read, that the red lane would be very small compared with the green lane.

**Angela McGowan:** I wanted to make a point about making it much easier. We have trusted traders. A lot of the stuff that comes from GB to Northern Ireland will be for large retail companies, et cetera, and a lot of the volume comes from large companies, which will be trusted traders. For new companies, it goes back to one of the questions earlier on: what happens to new companies and how they undertake getting their goods across with ease? Something will have to be done about how we apply for trusted trader status, because at the moment it is quite costly and takes up to a year. That is something the Government need to think about if this is to work.

Q16 **Stephen Farry:** This is probably primarily a question for Aodhán to answer. Most of the answers have focused on the issue of customs. It is very important that we understand there are two aspects to this, particularly in the GB to Northern Ireland flow. One is customs, and the second is EU regulation. It may be easier if most of the proposals relate to how you can maybe soften the customs interface. The regulatory interface is going to be an absolute, in my understanding, in all circumstances, particularly when it comes to agri-foods. Perhaps, Aodhán, from the point of view of the retailers, you want to comment on how it is going to impact on the movement not just of live animals but of food products.



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**Aodhán Connolly:** It is more than just the regulation. On one side, you have the customs. Even where you have a green lane and a red lane for customs, that is not going to be enough on some things, especially if you are talking about trade both ways. You are talking about VAT, customs and excise, and SPS checks. It is that jigsaw that I talked about in my opening statement. The amount of friction that is there is going to be directly reflective of how we diverge from EU rules. It is not just about the customs, and you are right to point that out. That is a really important part of it, but it is only one part of the jigsaw.

Even if you are talking about stuff that is coming from Northern Ireland and going into Great Britain, and even if it is stuff that originally came from Great Britain and has come to Northern Ireland for processing and is going back, one part of it is the checks that need to happen on those exit summary declarations. You have to remember that one point of leaving the EU was that the UK could then go and make trade deals around the world. If we are giving that sort of unfettered access, without any sort of checks, to stuff that could be coming from the Republic of Ireland, from the EU, into GB, there are going to be questions about it at the WTO. There are also going to be questions about SPS checks and that sort of thing.

That is all in the future, and we can park that for a second. As for the day one complications, unless we have mitigations on customs, on SPS, on VAT, you are going to see the costs mount up very quickly. I will go back to what I said. It is a very simple equation: if the new costs are higher than the profit margin, the product or the business model is unviable.

Q17 **Bob Stewart:** My question is to Angela McGowan, primarily. It is about the people who make the money in Northern Ireland, the sectors, the economy, the people who actually pay for the likes of me and Members of Parliament, and perhaps even you. I am quite concerned—well, I am not concerned. I wonder how much they are involved and how much they know about potential customs checks, the processes they will have to go through, the declarations they might have to make and the infrastructure that might accompany them. My guess is that, as we are paddling around in the sea somewhere, they will be even more without a paddle. That is my question, at least to start with.

**Angela McGowan:** What I see is that the largest companies in Northern Ireland have their heads around this. Many of them that export into international markets will be able to take it a bit better, in that they understand that they may employ another one or two people to deal with the declarations and whatever administration is needed. At the moment, their biggest uncertainty is that they do not know what type of deal is going to be arrived at and what will have to be prepared for. That is something they have been thinking about.

I had a very large pharmaceutical company say to me last week that at its board meeting it had to make a decision in early March: "Are we going to now concentrate on Brexit and getting ready, or are we going to



concentrate on Covid?" It chose Covid. At the moment, I can honestly say that companies are not even thinking about this. They do not have the capacity to put any plans in place. I would imagine, for the smaller companies, it is going to be even more difficult, because at the moment so many of them have closed. They do not know when they are going to open up again. Even with Covid-related problems, they do not know what their supply chains will look like and what difficulties are involved there, never mind starting to think about this.

If these were normal times, I would say the bigger companies will cope better and the smaller companies will need a lot of support. They will need a lot of information and probably some support around new technology, because they are so small that they will not be able to afford to get people in to do those customs declarations and the administration of it. You would hope they might be able to invest in the technology and get some support from Government to do that.

**Q18** **Bob Stewart:** I open up the question to others. One thing that crosses my mind is that the system has to minimise the amount of paperwork. I ran a company a long time ago—over 10 years ago—and the one thing that always went when you dispatched any goods was an invoice. The best sort of paperwork we want under those circumstances, for when a company dispatches something to another company anywhere, within Northern Ireland or outside Northern Ireland, has a bit at the bottom that says, "This is a declaration." It is actually on the same invoice and is not that much work just to fill it in. That would be the ideal maximum paperwork I would like to see happening for companies in Northern Ireland. I wonder whether the panel, as experts, would agree with that, or am I barking mad, as I could be?

**Angela McGowan:** It is probably not just for companies in Northern Ireland. Certainly with my CBI national head on, I know that is what companies right across the UK would really like, to keep it simple, reduce the administration and reduce the documentation. We have done a report on this, *The Red Tape Challenge*, which we produced earlier this year. Import and export declarations could possibly add about £7.5 billion to the cost of industry right across the UK. I desperately want it for Northern Ireland, but right across the UK it would be hugely beneficial if that administration was kept to a minimum.

**Q19** **Bob Stewart:** The Chair does not want me to go on too much, so I will just ask one supplementary to Mr Connolly. Do you have a comment? You were nodding.

**Aodhán Connolly:** I completely agree with Angela. This is not just about Northern Ireland; this is about the whole of the UK. No, you are not barking mad. If there were an ability to simplify the paperwork, that would be very useful. Not only are you talking about bits of paper that have to be carried by the freight guys we work with; you are also talking about the man hours it takes to fill them in. You are also talking about new systems that will be needed to deliver those pieces of paper. There



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are some things that will not change. For example, that export health certificate I was talking about earlier is pretty much going to be separate. For other things, there is an ability, should it be through barcoding or a consolidation of information, to remove some of that paperwork.

The big thing is that it must be agreed. It must be agreed not only at the joint committee, but, if this is going to be UK-wide dealing with the EU, it must be agreed between the two parties. That is the challenge here, and I think we will keep coming back to this. Eight months is not a long time to design and implement that new system.

**Q20 Chair:** Ms McGowan, given the interconnectivity of business and the inter-reliance of business, what plans have you afoot with the Federation of Small Businesses and the Institute of Directors, with your CBI, to ensure that businesses, large, small and medium, are as well equipped? Or are you doing it in a very siloed thing, just a subscription membership service to subscribing members?

**Angela McGowan:** We have a business alliance with the CBI, the British Chambers of Commerce and the Institute of Directors. On key messages around things like this, things that are good for the economy, we like to have a joint voice. Around anything that makes the cost of doing business less or that increases activity in the economy, we would all sing from the same hymn sheet. When it comes to preparing our members, for example, CBI runs WebExes. We do our own thing to give them information, but we certainly feed up the message to Government together that this is what companies want.

**Wesley Aston:** We are getting into the detail of what the system might look like and how that is going to be dealt with in a Northern Irish context. You have to remember that this is going to have to be dealt with by our customers in GB as well. How would they view having to do all that additional work on top of what they are currently doing? Would they go elsewhere?

Another fundamental issue is the ownership of tariff schedules. I know we have not touched on it yet, but maybe we will do. I think David himself recognised the whole thing about Northern Ireland being in the EU customs union but part of the UK customs territory. We do not know what sort of a deal the UK will do with the European Union. Leaving aside all the details about how we will do it, there is a fundamental issue about the money involved in all this and, as I say, how our customers in GB will perceive that. Those are critical issues as well.

**Anne Donaghy:** I want to give a very practical example. This week, I had a conversation with a major manufacturer in my borough that manufactures worldwide. Given their fear and the unknownness of what is happening, they are now talking about changing their transportation from the port of Larne to a port in the Republic of Ireland. That has real implications for how we go about this. If we put in checks and balances,



and customs, we will divert people from the ports of Larne and Belfast to ports in the Republic of Ireland.

**Q21 Ian Paisley:** Thanks to our witnesses for what has been very useful evidence today. Anne Donaghy's last answer really sets this up, in terms of the question around ports and transport of goods. From all the evidence we have gleaned today, it appears everyone is in agreement that we want unfettered access within the United Kingdom. We also agree that, if we have unfettered access, we do not need more bureaucracy in this process. There also appears to be broad agreement that no one should be paying any additional payment for our right to unfettered access. If there is a payment, you then really need to look at what is paid and who pays.

I was really taken by what David said in terms of the starting point. The starting point at the moment appears to assume that everything is fettered until HMRC is convinced otherwise, whereas we should be starting from the point that everything is unfettered until HMRC makes a determination. There is a subtle but important difference. We have a number of ports operational out of Northern Ireland: Warrenpoint, Larne, Londonderry and, of course, the port of Belfast. Each of those ports is probably desperately worried as to what this means for its business.

I have read one report where, instead of being a matter of hours on transport, it could be days of delay. Specifically to Anne Donaghy, and she has already given one example, and maybe Aodhán, do you think people using the ports have actually been alerted to what could be a potential cost? How must we make sure that this idea of a cost on trade is knocked on the head as soon as possible?

**Anne Donaghy:** People have not been alerted to the full cost. I also believe that businesses need to be given financial support, and support at source, to implement whatever they have to implement. The port of Larne is already a very busy port. We recently had the Northern Ireland Executive supporting a £17 million investment in the port to keep Northern Ireland's supply chain fit and well through Covid. It is really important that whatever we do does not add burden to the port, allows it to continue to operate—it has operated for centuries—and does not divert really important business, with 200,000 freight units going through it every year, to the Republic of Ireland for a different crossing.

The shortest crossing east to west and west to east is from Larne to Cairnryan. It is really important that that is maintained. Even a light-touch digitalisation of the system will add cost and burden on small businesses. Many of our SMEs are fewer than 10 people. How do you start to find a resource within that to complete the declaration and complete the paperwork? It will be very difficult to get the skill base and resource to do so.

**Professor Widdowson:** Mr Paisley hit the nail on the head there when he said that the starting point should be to assume that we have intra-UK



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trade. It should be completely unfettered unless customs has a real reason to believe that goods going, say, west to east originated in one of the 27 EU member states. If it does not have reason to believe that is the case, there should be no intervention.

If I might come back to what Mr Connolly was saying, when I am talking about customs I am really talking about border management, so it includes SPS as well. If there is any movement intra-UK, there should not be any regulatory intervention in the context of EU law.

**Wesley Aston:** I will pick up on David's point: unless the product actually originated in another EU member state. We have products that come from the Republic of Ireland into Northern Ireland, are processed here and then move into GB. In our industry, pigs are a big one. There is an issue with the definition I was talking about earlier of "at risk" going from GB to Northern Ireland and into the European Union. On the flip side of that, what is a qualifying good going in the opposite direction? We talked about trusted traders and can talk about trusted processors. If that is traditional trade that we have to continue to participate in, I am just wondering how the issue about origin starts to get into that. We are not clear on that at this point in time.

Q22 **Ian Paisley:** I assume that Members are in total agreement that we cannot put a cost on to traders or on to consumers in Northern Ireland just by dint of which part of the United Kingdom they live in. It would be as absurd as putting a cost on trading if you live and trade in Yorkshire rather than living and trading in Northern Ireland. That would be unacceptable, I am sure, to Members in Yorkshire and across the whole of the United Kingdom. Some reports have indicated that it could be as little as £15, which I think is terrible, right up to £60 per trading document. I am assuming that all our witnesses would be completely opposed to the imposition of any additional tax burden, import burden or export burden on their traders and on their businesses in Northern Ireland, just because they have to transit to other parts of the United Kingdom.

**Aodhán Connolly:** Mr Paisley is absolutely right. The problem here is that we have had reassurances from Mr Gove and the Prime Minister that there would be unfettered access. We have discussed at length how the costs are not only unpalatable but unaffordable for Northern Ireland business and for Northern Ireland consumers. This is better than no deal, but the position we are in at the minute does not give that unfettered access, and that is where we need the detail. Even Mr Gove's recent letter to the House of Lords EU Committee said that there would be no tariffs, no import processes and no checks as goods arrive to Liverpool and Scotland. There is no mention of the stuff GB to NI. That level of detail is where we are. The big cry from business is to give us that detail. If you are promising that it is unfettered, explain it to us. We want to see how it works because we need to prepare.

**Chair:** I think the cri de coeur for detail and clarity is paramount, and it



is coming through very loud and clear from all sectors.

**Q23 Ian Paisley:** There is the issue of customs arrangements, which is a separate thing that I know the Committee wanted to go through. Does the UK have sufficient customs agents, customs officials and vets to facilitate these new customs arrangements? Taking all that has been said, they are not the sorts of jobs we want to be creating. We do not need more bureaucratic jobs, from what I am picking up from our witnesses, and those will be jobs on the road to nowhere. It may be that there are issues where more customs agents and officials could process things expeditiously. I do not know if any of our witnesses have taken a view on that. I do not know if the professor, in particular, has looked at that aspect of whether more officials could actually ease an issue like this.

**Professor Widdowson:** I will not comment on the customs staff, because I am unaware of the quantum of the staff in HMRC who are dedicated to these types of activities. Putting aside the issue that we have here, where we are talking east-west, west-east and the mere fact that the UK has left the EU and the transition period is about to run out, in terms of customs documentation generally, that will increase between fourfold and fivefold, and I suspect the private sector will be struggling.

**Karin Smyth:** This is just to back up the Chair's comments on the need for clarity that we are hearing about from our witnesses. As we are meeting, both the EU and the UK Government have just made a declaration coming out of the specialised committee, the EU looking for a plan and the UK Government saying they are complying with legal obligations. It is to underscore your previous comment about the need for more detail that I think we are hearing from our witnesses.

**Chair:** As Chair, you will never find me deprecating any member who wishes to underscore my points. I am grateful, and you will be called first at all further meetings.

**Q24 Scott Benton:** My question follows from Ian's point on the degree to which the UK Government, in terms of port infrastructure, can be in a position in eight months' time to meet these challenges. I would be interested in Professor Widdowson's thoughts on port infrastructure and the complexity of trying to get such a process off the ground so quickly.

**Professor Widdowson:** It is perhaps not my area of expertise, but I would say, on the port infrastructure, that the bureaucracy that goes around the new arrangements, the potential for customs checks and the need for that sort of warehousing should not arise if the joint committee does its job properly. I would argue again that intra-UK trade should not be subjected to any additional regulatory requirements.

**Wesley Aston:** I was thinking as the question was being asked, in terms of the port capacity and the customs capacity, that we will have failed if we are talking about these sorts of things. Picking up on David's point, it will not work.



**Q25 Mr Goodwill:** I was going to ask Wesley Aston whether he thought the Government had done enough to engage with farmers about the challenges. He said earlier that, following four years of talking about nothing but Brexit, there has been a period of silence. We also had evidence from Angela McGowan that most businesses are prioritising the Covid situation, rather than agricultural or trade issues. Could I ask him how he believes that farmers in Northern Ireland can best engage in this? Now we have restoration of devolved decision making, would it be Stormont that needs to be making these moves or, because trade is devolved and the negotiations are taking place UK-EU, should the primary objective of farmers in Northern Ireland be to make sure their message gets across in Westminster and Brussels?

**Wesley Aston:** There are three levels of discussion, from the European Union right down to businesses on the ground. There are three rooms you have to get into. Obviously, the UK has remit over trade policy. That is the first one. We have to deal with that at an EU level, but then how that works with Northern Ireland. That is where the Northern Ireland Executive come into play and, thankfully, they are now up and running, so at least there is a voice there. The third one is how the Northern Ireland Executive interact with businesses and the business community in Northern Ireland.

From what we can see, the top level is not necessarily even working, based on what Karin Smyth just came out and said, following on from the outcome of these discussions today. That is at the very top level. With the timescale involved, we are certainly not seeing anything at this particular point in time as to how we engage with Northern Ireland, with the UK, and then all the way up to the European Union. There is nothing happening at this particular point in time. It still can be done, but, within the very limited time that we have left, as Aodhán said earlier, we must see that process starting to happen.

**Q26 Mr Goodwill:** In effect, this Committee is your best bet at getting the message across, given that lines of communication are not particularly working in other ways. I hope our report will reflect that. Wesley, further to that, do you see the main problems being in connection with plant health, with the talk about equivalence of regulation? Is it a tariff rate quota problem that we need to address, or is it both in equal measure?

**Wesley Aston:** I think it is both. The SPS one is key because, as I think has been mentioned earlier in our discussions, it is the one that is there and we know exactly where we stand on it. It depends to what extent GB decides to diverge from the EU requirements. As we know, we have to adhere to all those. Certainly the tariff one would be a big issue as well. That would have a market impact and there may be potential wider issues about rebates and those sorts of things. We discussed earlier how complex that would be. It would put our customers off buying our product in the first place, so that could effectively remove your market overnight in any event. The two are equally important.



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**Q27 Mr Goodwill:** Could I ask a supplementary to Professor Widdowson? Obviously the UK is talking about trade deals around the world, and freer trade with Australia, New Zealand and other countries all around the world. Do we need to have the system up and running from day one to take account of that, or can we assume this is going to be an evolutionary process so that, initially at least, we are going to be pretty much trading on the same basis as we have been, and it is only when we sign that big deal with President Trump or elsewhere that we need to make sure the system is ramped up? Is it going to be a big bang on day one, or is it a system we can allow to evolve?

**Professor Widdowson:** I would say the latter in terms of evolution with new markets or new free trade agreements. Where there may be a big bang, and it is really up to the bureaucrats working out the detail, is when the UK is at the end of the transition period. The question is whether you still have those free trade arrangements with the 61 or 62 countries that the EU has negotiated deals with. That is where the big bang could come in terms of free trade agreements.

**Mr Goodwill:** That is very helpful.

**Q28 Ian Paisley:** The issue of the fishing industry has been a very significant part of this debate. What impact do you think these restrictions could have on our fishing sector, which is potentially one of the most competitive industries, in the Irish Sea and the Irish box?

**Wesley Aston:** I cannot really comment, because we do not actually deal with fisheries, but I know they have real concerns as well about where things are in relation to trade with GB. I cannot comment, unfortunately.

**Q29 Scott Benton:** The Northern Ireland economy is substantially based on agriculture, and fisheries are also a big part. This is probably a question to Professor Widdowson again. In terms of being able to have unfettered access to the GB market, not just fisheries but agri-food more generally, how large do you think those restrictions and customs checks are going to be? Are we going to be ready with customs and veterinary provision to make sure we have as free a flow of fisheries' food as we can from NI to GB?

**Professor Widdowson:** Again, I believe that a lot of this is going to come down to what the joint committee arrives at. If it takes a very pragmatic approach, which I really believe it should, there will be minimal impact. If it does not take a pragmatic approach, it could be extremely problematic. If there is an assumption that all goods going from west to east are potentially from one of the 27 EU member states, it will be a nightmare in terms of bureaucracy. That is why I believe the focus needs to be on the joint committee and inputting into its negotiations.

**Q30 Scott Benton:** I have a quick follow-up, probably to Wesley, on this question. If the worst-case scenario were to happen and more stringent customs controls were implemented, would the costs to Northern Irish



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businesses be prohibitive to trade, in terms of their goods coming across to GB?

**Wesley Aston:** As a very simple answer, the worst-case scenario could be the decimation of our industry because GB is such a big proportion of our market. It takes over 50% of our product. It depends on the sector involved, but food exports are huge for Northern Ireland and it could be completely devastating. While we will have unfettered access to the south of Ireland, as being part of the European Union, that in itself is fine, as that market is there and growing, but it is from a very low base. Equally, we are not even given any guarantees about our potential to avail of EU trade deals with other third countries, because we understand we cannot do that under WTO rules. We would be restricted to having access to the EU market alone and not necessarily world markets or, for that matter, the GB market. It would be completely devastating.

**Scott Benton:** I have a brief point. That is a clear message to the joint committee in that case, in terms of the need for unfettered access from NI to GB to make sure the agricultural sector in Northern Ireland is able to continue as it is.

Q31 **Mr Campbell:** On the issue of unfettered access beyond the Irish Republic, we have concentrated quite a bit, understandably, on the difficulties we could well be faced with if the joint committee does not deliver and if we do not arrive at that conclusion whereby there is, by and large, unfettered access, east-west and west-east. Looking at the other side of the coin, at the advantages of trade deals next year, the year beyond and then beyond that. If we are going to have a balanced report, we have to look at the difficulties and challenges that lie ahead, but also at the opportunities. I am wondering if Angela might be best placed to answer this, in terms of how we could position ourselves and take advantage of those opportunities when we reach day one, and beyond that, on 1 January next year.

**Angela McGowan:** I think you are right. At the end of the day, the unfettered access to GB is hugely important, but also being able to export into the EU maybe gives Northern Ireland a bit of an advantage in having that free flow of Northern Ireland goods into the European market, relative to other parts of the UK. We need to take advantage of it. Hopefully, we will also be able to access the international trade deals that the UK negotiates.

Maybe it is a good time to point out that there probably needs to be some analysis done as to which of those trade deals would be most important to the Northern Ireland economy. Nobody has come asking us that yet: "Where does most of your non-UK, non-GB trade go? As a region, what international trade deals do you want the UK to be focusing on?" In the future, when we level up the regions across the UK, we have to think about what type of international trade deals will work for all the UK regions. It would be nice to have that policy made not in a vacuum but in



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collaboration with business, and also be evidence-based in terms of our current trading.

I think there will be opportunities. It is like a lot of things; you have to adapt. There is a new normal, and I think you are right that there are going to be opportunities. We have to look at them and find ways of making the most of them.

Q32 **Chair:** I think there are going to be so many new normals in the not-too-distant future that we are all going to get fantastically confused.

**Aodhán Connolly:** I want to agree with Angela about the opportunities. I think some people will find it quite strange that I say this, but I believe that there are opportunities for new trade deals. We need to get some clarity as to whether we can be part of the EU trade deals and what part we can be of the UK trade deals. That needs to be nailed down as well, coming back to that point on uncertainty.

The other point on this, when we are talking about opportunities and new trade deals, is the timing. We need those trade deals to happen very, very quickly. The average time to undertake a free trade agreement is four years, eight months, or somewhere around that. Quite simply, we in Northern Ireland cannot afford to be locked out of trade agreements. We need those trade agreements to be delivered very quickly. If you look at the fact that 70% of the goods we bring into Northern Ireland are either zero tariff or preferential tariff because of EU membership, we are going to need to replace that very quickly. That means, to make the most of those opportunities, we need to have those FTAs very quickly.

Q33 **Karin Smyth:** Those are excellent points, but my question would be who you would ask. Where would you go to make those points about wanting to be part of those EU trade deals and getting the so-called best of both worlds? We have already heard that the UK Government are not really talking to you. How would you get that ask put through?

**Angela McGowan:** I guess this comes back to the committees and what is agreed within the committees as to what Northern Ireland can access under the withdrawal agreement and the protocol. Within those committees, we need Northern Ireland representation. We need to have people bringing evidence from business to the table for those committees, and we need a lot more dialogue.

Q34 **Karin Smyth:** You mean the specialised committee?

**Angela McGowan:** Yes.

**Aodhán Connolly:** There needs to be wider pressure brought to bear. The "best of both worlds" analogy is not a term I have ever used. Change is going to come, and with that change there are ups and downs on both sides, just to point that out. The main part of it is going to be influencing the Commission. That is going to happen both through the joint committee and through the external work we have done with the CBI, the



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UFU, Manufacturing NI and the Freight Transport Association. We have led several delegations over to Brussels, and we will continue to do that.

Also, there is a job of education and a job of work to do with Parliament, not just with the Northern Ireland Affairs Committee but with the International Trade Committee and with the Government and Ministers themselves, so they understand how key and fundamental this is. This is going to define how Northern Ireland does business for the foreseeable future, and it is going to have a direct impact not only on our economy but on households. Yes, we will go through those formal channels, such as this and such as trying to get talking to the joint committee, but we need people to talk to us. We need the Government to step up their game in talking to us as well.

- Q35 **Caroline Ansell:** Thank you to the witnesses. It has been really insightful to hear from you. I want to come in on the potential here for advantage for Northern Ireland. You have just covered where you might reach out to or who you might expect to speak to about those sectors and those parts of the world where you see that potential advantage. You said nobody has come asking yet. Might we ask now which sectors and where in the world you are looking to, in terms of this potential best of both worlds for Northern Ireland?

**Angela McGowan:** I might just answer you quite quickly, because this arose in my last CBI council meeting in Northern Ireland on 10 March. That was one of our jobs, to go off and look at the analysis to see what would be the most important for us to lobby for, to push for trade deals in particular directions. Unfortunately, like the rest of the world, everything got turned upside down in terms of what we dedicated our time to. It is a job that needs to be done, but probably the point I was making is that it is interesting that we have never been asked that question. One of the business community had pushed for us to bring the evidence to the Government, and the Government should be interested in the answer as well.

- Q36 **Caroline Ansell:** Absolutely. Are there any early soundings on that? Where do you sense the opportunities might be, even if you do not have the data behind it?

**Angela McGowan:** I do not know. The reality is that, when we start to settle down in any post-Covid world that we go into, things may be different from before, in terms of where we look to do economic activity. We are thinking about how the economy will change, and we want to think about if it will grow in a different way. It is an opportunity to do things right for the economy, in terms of whom we trade with, the way we trade, the standards on which we trade and the impact trade will have on our carbon footprint, on equality and inequality. We will probably have a new slate to start with. We hope to get it right. We need the evidence and the data to make sure we do that. It is my job to do it in the CBI, and it is Government's job to work with us and listen to us on the evidence and the data, but I do not have it right now.



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**Anne Donaghy:** In Northern Ireland, every business works with either Invest NI or local government. There is a connection there to all the businesses across those two sectors. We have been working over the years on different trade missions to understand where business can be done right across the world, through Invest NI and local government. There are huge opportunities, post-Covid, with offshoring. It is really important that our system is supportive, non-bureaucratic and unfettered, so that we can look at the opportunities post-Covid for offshoring and different business opportunities. There is a piece of work being done with Invest NI and local government at the moment. I know that the Institute of Directors and the Northern Ireland Chamber of Commerce are also looking at the trade opportunities.

**Aodhán Connolly:** I completely agree with Angela. It is going to be a new normal. We will be looking at how we can grow the economy. Do we want to have more of the services trade? Are we going to build on the agri-food success we have had over the past 10 or 15 years? There is one key factor in this that we have to factor in, which is whether we get a free trade agreement and a services agreement with the EU. They are our neighbours. It is easier to do trade with people who are close to you. It will also depend on how much effort we can put into the rest of the world. Again, all of this needs to be fed through the prism of certainty, and that certainty will come once we know what the free trade agreement, or none, will be.

**Wesley Aston:** In relation to Caroline's question and Angela's very pointed answer, this is a new normal. From an agri-food point of view, we see this as a time to pause for thought on where we get our food supplies from going forward, not just for climate change reasons but for food security reasons, standards and all those things. We feel that, with any analysis that has been done up to this point of potential trading arrangements, the focus now needs to be on where we see ourselves going.

Q37 **Chair:** I certainly think that comment will resonate with colleagues. All of us will have been hearing, in our inboxes, our emails and the like, a greater appreciation and understanding of the importance of farming and food security when the economy comes under challenge. Reverting to the agricultural genesis of the question that Mr Goodwill has set us off upon, I suppose this is a question for Mr Aston. As important as the focus of east-west trade is, in terms of north-south and managing that, and the threat/danger of the mass dumping of certain agricultural products into the north, do we think enough attention is being paid to that as we focus particularly on east-west?

**Wesley Aston:** Sorry, Chair, your question broke up, but I think I have the gist of it. The whole issue goes back to what is a qualifying good. Traditional trade, rules of origin and all those things are becoming increasingly important. I know that our colleagues in GB have real concerns about Northern Ireland being used as a back door for product



coming from not just the Republic of Ireland but even further afield. We need clarity on that. If we have unfettered access from Northern Ireland, we do not want our agri-food system being undermined by something that could go wrong from somewhere else. The integrity is critical there as well. Unless there are some controls to prevent that happening, it could happen. At the same time, that is the difficulty, because we do not want those sorts of controls in terms of Northern Ireland to GB.

**Q38 Claire Hanna:** Thank you to the witnesses for their contributions. I fear that we are asking these questions in a completely changed world to the one in which we wrote the terms of reference. To me, it is very hard to see how all this can be done in the current Covid and even post-Covid scenario. Also, our focus on unfettered suggests that the Ireland protocol has already been implemented and we now have to mitigate it. Increasingly, that does not appear to be the case. To me, and I guess to many others, it appears that the UK Government are backsliding and potentially trying to run down the clock on that. It is possible that the premise of the questions is wrong on two counts, on the ability to do a trade deal and on the fact that the protocol will have been implemented, but I will ask my questions on the assumption that some miracles are achieved in the next eight months.

Witnesses have made a couple of very useful contributions about the impact on flows, margins and viability. I want to focus on the competitiveness of businesses here. I suppose this question is probably for Angela McGowan or Aodhán Connolly. What are the likely impacts on competitiveness, I suppose with a particular focus on smaller businesses? I know we have spoken about trusted trader schemes, for example, and the potential for that to edge out newer businesses. Could you tell us how you think they might be affected?

**Angela McGowan:** Most countries go into trade negotiations hoping to get free trade and zero tariffs, because that is what grows the economy. That is what gives businesses their competitive edge and increases economic activity when they do not come up against tariffs and non-tariff barriers. It will depend on the outcome. Certainly, we are going to see some frictions. We are going to see increased costs. You are seeing uncertainty.

We know there was a bit of a slowdown in the economy even before Covid arrived. That is just a reality. People chose Brexit and it was not always for the economics, and we have to accept that. There has been a bit of an economic hit around it. We have to accept that we are where we are. We have to look at the new normal. We have to find solutions and start thinking about how we make firms competitive again.

There will not be overnight competitiveness. There will need to be support there. There will need to be transformation, which takes time, to move away from maybe uncompetitive ways of doing things and force us to become more productive around investing in technology. Hopefully there will be support for Government to do that. Particularly for Northern



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Ireland, it already has the disadvantage. There is a 30-mile stretch of water between us and the rest of the UK. Transport costs are already higher. Any further barriers obviously will have a bit of an impact on competitiveness.

As I say, it is about how we approach this. It will all depend on the trade deal. Maybe there will be a zero-tariff trade deal, which would ease things a lot. Maybe the Government will be able to maintain minimum documentation and minimum administration. That will also help a lot. We will only know the overall impact when we see what type of trade deal we arrive at later this year.

Q39 **Claire Hanna:** We spoke as well about the arrangement and somebody—it might have been you, Angela—said that we are all, and we all are, very relieved not to have been looking directly at a no-deal scenario. Assuming there is a trade deal and the Ireland protocol is implemented, are there advantages on that scenario vis-à-vis our current trading environment? I mean how we have it at the moment rather than no deal. Is there any advantage that you can point to, or are there any sectors or businesses that are particularly excited about the opportunities the protocol and the post-Brexit trading arrangement present?

**Angela McGowan:** The CBI has been quite clear on this. We have supported the protocol, and we believe it has moved us away from a no-deal scenario.

**Claire Hanna:** For now.

**Angela McGowan:** It gives us the opportunity to create a good deal with Europe. Northern Ireland has welcomed it. We recognise that there are complexities with it, but we have to make it work. As I say, that is all going to come down to how much interaction there is, with business and Government collaborating together to get the right evidence and the right facts on what will work for business. For us, the future trade deal depends on market access. The more market access we have, the better for us and our companies. There is the pressure the companies are under, in terms of how much time they have to implement what is needed for this new deal and how they operate. That timeframe is going to be really important as well. Those are the two tests, in terms of the overall success of the deal. Probably, if we have success in both of those, the impact on competitiveness will be less.

**Aodhán Connolly:** I will try to be succinct this time. We in retail had always asked for unfettered access both ways. The reason we did that is because the status quo, where we were, where we are at the moment still, until the transition is over, is actually quite a good place for Northern Ireland business to be. I completely agree with Angela that this is better than no deal, but the fact remains that we need mitigations, that we need support and that we need answers and clarity to make it better than the situation we will have on 1 January. Those new costs and frictions, as they stand at the moment, are both unpalatable and unaffordable. That is



why we need the Government to work with us. That is why we need access to that joint committee.

Q40 **Karin Smyth:** My question is about the impact around Covid and the preparation for that. I think, Angela McGowan, you have alluded to this, that businesses in particular are trying to manage the terrible situation that everyone is in. Do all of you feel that Covid has had an impact on the preparation for implementation?

**Angela McGowan:** I mentioned earlier that companies have been faced with the choice, and they have chosen right now to focus on Covid. As I said, one large food manufacturer told us that it has had four Covid meetings a day. They have moved it down to two recently, and they think that is good progress. You can see that, at the moment, this is about survival for companies. This is their main focus, and the Brexit preparations, for them, have been put to the side. The Government, too, have a timetable to work to. They are keen to do it if they can, but, at the end of the day, this is probably second in the priority list for companies.

Covid is all consuming. It is all consuming at the moment. The problem is that we do not know when it is going to ease up on business, so it brings us right up to the summer and beyond. As I say, some of the smaller companies are completely closed and do not know what they are facing when they open back up again, in terms of the interruption to their supply chains and suppliers. I heard a report on *News at One* that, I think, 80% of smaller companies in the Republic of Ireland have more or less shut down totally. The interruption is huge. I have worked as an economist for 25 years, and we have never seen anything like this in terms of the shock that it has provided. I am quite optimistic that the science will prevail and we will get out of it, hopefully later this year, but for the moment the uncertainty is huge and nobody really knows. Unfortunately, the Brexit preparations are not high up on company agendas right now.

**Anne Donaghy:** I totally agree. From the point of view of the local council and the businesses that we have, with the Executive, been supporting in our area, there is no one that has not had to have some help. In my own area, 85% of businesses are currently not operating so minds have turned to survival mode and how we plan our way out of it. On a Northern Ireland level, we are looking at recovery. While Brexit and how we get through the Northern Ireland protocol are mentioned, it is way down the list. The big risk we have is redundancies. I come from an area where we lost up to 3,000 high-paid jobs. It hits your GVA very hard. When you look at the figures coming out at the minute, Northern Ireland is looking at a 40% shrinkage of the economy.

We have to make sure there is room for innovation, and innovation does not go with bureaucracy. We need to free up people and small businesses not to be filling out paperwork but to start being innovative and getting more trade going. Covid has had an impact and, as we come out of it, it



will be difficult enough. We have had other economic challenges in Northern Ireland. If we look at agriculture, they have had all the regulation. They have had different market pressures, and now they have Covid and then this. All that piles up and piles up. The pressure becomes so much that businesses potentially will not be able to get their way through it. We have to be very mindful that we are in different times and practical solutions are needed to make the protocol work.

**Aodhán Connolly:** I suppose it would be remiss of me not to pay tribute to the people who are working in the retail industry, especially those on the frontline, those who are delivery drivers and those who are making sure that the nation is both fed and clothed. The Covid crisis itself has taken up a lot of bandwidth. For us, it has taken up the time that was needed to prepare for leaving the EU fully in January. Just like everybody else, the first priority has been to our shoppers, to our colleagues and to keeping businesses open.

However, there has been another sort of fallout from the Covid crisis. That is to show that, when they work, just-in-time supply chains are brilliant, but they are also very fragile. From the biggest retailer to the smallest retailer, they have been under pressure because the supply chain has been under pressure. The majority of this was not Covid-related itself. It was because people were overbuying when, quite frankly, they did not have to, but it shows that it is not enough for us to have robust supply chains. They need to be seen to be robust.

Remember, it is not 20 minutes late at the port. If you have missed your boat, you are now three hours late, but you also miss your picking slot to go out to the store, so you are actually 24 hours late. That means you do not have something on a shelf that day. That means word of mouth gets around and the next thing is consumer behaviour: you have a run on certain goods. For us, as a retail industry, and for our colleagues in freight, it has brought into focus just how fragile and just how important that just-in-time supply chain is.

Q41 **Ian Paisley:** I was just wondering if our witnesses, in the light of what they have said, agree that we really need a tapering off of the special measures, instead of just this cliff edge where we finish these special measures in June or the middle of June. All our sectors need to be brought off these measures, weaned off them almost. Otherwise we will have, as I think Ms Donaghy has indicated, a major crash in terms of redundancies.

**Chair:** I can see all our witnesses nodding their heads in agreement with that. I do not know if anybody wants to chip in.

**Angela McGowan:** It is really important that these are kept under constant review. As the situation unfolds, it should not be a cliff edge in support, but we need to review how we go and maybe taper off, particularly, the job retention scheme. Businesses are saying they are going to take time to come back fully. They will not be bringing in all their



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employees at one time, and a partial furlough would probably be more appropriate, so constantly keeping them under review. That said, I think we should acknowledge that the Government have done a really good job, in terms of agility in producing the support they have done for business at this time. Some details needed working through, as always, but they were keen to listen to business and it has worked out very well.

**Q42** **Stephen Farry:** I agree with Ian's previous point. Back to the protocol issue, I want to ask two hopefully fairly simple yes/no questions. Do people see the balance of checks taking place in Scotland or in Northern Ireland, and what is preferable in that regard? The second question is probably controversial, and I apologise for this, but it should not be controversial. Do the witnesses recognise that it is important for the EU to have an ongoing presence in Northern Ireland in relation to the implementation of the protocol?

**Chair:** I always love it when a colleague leaves a controversial question to the last five minutes of a meeting.

**Stephen Farry:** It has to be asked.

**Chair:** Who wants to pick up that particular hot potato? All our witnesses seem to wish to be silent on that.

**Wesley Aston:** In relation to your question, Stephen, about where the checks should happen, we would prefer there were no checks, so I am not answering your question. Secondly, should the EU have a presence? We consider that if there is a presence we have failed. At the same time, if there has to be something there, it can be delegated to the competent authorities locally. I know discussions have been ongoing along those lines. That is my response.

**Professor Widdowson:** In terms of the presence of the EU, I can understand that it would want to have a say in certain decision making. In terms of physical presence, I do not see that as necessary.

**Chair:** Karin, this was your question. Is there anything you wish to come back on, or are you sated?

**Q43** **Karin Smyth:** I think we could go on for some time. As I have the mic, can I be slightly cheeky? I am an English MP, and businesses in my constituency want to trade with Northern Ireland. Can I come back to Mr Aston? You talked about your customers also having to adhere to these checks, whatever they may be, and I think we have established we do not know. What sort of discussions, if any of you can say, perhaps Angela, do you think have been had with British-based companies about what they have to change in the next seven months in order to trade into Northern Ireland?

**Angela McGowan:** I do not know the answer to that question. Do you mean discussions between Government and British-based companies?



Q44 **Karin Smyth:** Businesses in my constituency are possibly going to have to do something different, as I think Mr Aston has said. I do not think they have been told what they need to do differently. I would just like you to confirm or deny that.

**Angela McGowan:** I do not know if any conversations have been had with those businesses around what they will have to do. I guess we do not know what they will have to do until we see what kind of a deal we get with the EU.

**Chair:** Karin, you hit a very important point there. There are GB businesses that sell stuff into NI. Certainly no business in my constituency appears to be aware of any changes that need to be made.

Colleagues, the witching hour is fast upon us. I have been trying to scribble a bit of a note as we go along. These are just some of the things that stood out to me. A very powerful point was made at the top of the meeting that the socioeconomic impact of additional costs will be hardest felt by the people of Northern Ireland. That should be forefront in the thinking.

Among our witnesses there seems to be a general view that the previous proposal was better than what is proposed at the moment, but that the current proposal is better than no deal. There seems to be a general view among our witnesses that insufficient engagement has been undertaken with business and with agriculture on both sides of the sea, as we have just heard, with regards to what may be happening.

There are lots of questions with regards to what is meant by “unfettered”. Can it be achieved? There are lots of unanswered but hopefully not unanswerable questions on that. The senior decision-makers, when progressing talks with the EU and finessing the protocol, cannot underestimate the disruptive influence that Covid-19 has had, not just on the daily operation of business but on the bandwidth of scope of engagement that business is having at the current time.

I will close the meeting, our first virtual meeting, by thanking our witnesses. I think it is the first time we have had a witness beamed in from Australia. I have no idea what time it is in Australia, but I know it will be later than it is here in North Dorset. Thank you all very much indeed for taking the time to join the Committee today, and for the clarity of your answers and their thought-provoking nature. On behalf of colleagues, thank you to the Committee Clerks, the broadcast and IT teams who have, somehow or other, managed to keep the show on the road. Thank you to colleagues for participating in this meeting. I hope we have not dropped too many clangers. I close the meeting again by thanking you all and hoping that you all keep well, safe and sound.