Northern Ireland Retail Consortium (NIRC) – Written Evidence (NIP0010)

1 About the Northern Ireland Retail Consortium

The NIRC leads the retail industry and works with our members to tell the story of retail, shape debates and influence issues and opportunities which will help make that positive difference.

Our NIRC Retail Members include all types of UK retailers, from small, independently-owned stores, to big chain stores and department stores. We have everything from grocers to DIY and from food to go to major pharmacies such as Boots. We also have membership categories for suppliers to the retail industry, trade associations and financial institutions who need and value our insight into the health of the industry.

2 Introduction

Brexit is the biggest external factor to affect business and consumers in Northern Ireland for a generation. The NIRC's goal in our A Fair Brexit for Consumers project is to support the Government in ensuring a fair deal for consumers. We believe that promoting the interests of consumers – and we are all consumers – will lead to the fairest settlement for our country as a whole. We argue for neither a hard nor a soft Brexit but believe our efforts should concentrate on mapping out what the concerns are for our industry and for the Northern Ireland consumer and how we can support Government to deal with them.

The retail industry is uniquely placed, to understand the needs of our shoppers and the many industries that we sustain and support to grow in everything from our supply chain to construction and from shop fitting to service industries. We take our responsibilities seriously and we want to share with you the breadth of our experience and work on this issue.

3 Our Position on Brexit:

From the outset the NIRC did not take an ideological stance on Brexit. Rather we have tried to be the arbiter of common sense looking at both the challenges and the opportunities while focussing our energies on what the optimal outcomes for Northern Ireland consumers would be.

4 About the Retail Industry in Northern Ireland

- Retailers buy over £2bn of Northern Ireland Agri-food but less than ¼ is used in NI.
- Northern Ireland's largest private sector employers with around 100,000 employed
- Thousands of more jobs sustained in agri-food, store fit-out, service and construction..

- About 70% of the value of Scotland to Northern Ireland commercial freight is destined for our shelves

5 About the Northern Ireland Consumer

There are significant differences in the situation of the Northern Ireland consumer and our counterparts in Great Britain. The pressures that the Northern Ireland consumer finds themselves under will only be disproportionately exacerbated by any price rises due to Brexit.

- NI average wages are the lowest of any region across the UK.[1]
- NI households have around half of the discretionary income of GB households
- NI adults have the most unsecured debt of all the UK regions [2]
- 1 in 5 of NI adults are over-indebted. This is higher than any other UK region.
- 10% of NI adults are 'in difficulty' financially and a further 29% of NI adults are 'surviving'.
- Even though they have the lowest income, NI household spend is one of the highest proportionally in the UK[3]
- Fuel costs and even car insurance is already higher for the NI consumer.[4]
- Consumer spending accounts for 65%of the UK's GDP, and 73% of Northern Ireland's GDP. [5]
- Household consumption will account for 67% of GDP growth in the UK over the next 6 years. Therefore, any slowdown in consumer spending or reduction in consumer confidence will represent a significant risk to the UK's and Northern Ireland's future economic growth.

6 NI Business Brexit Working Group Response to the UK Government Command Paper

Key points

- We welcome the *first steps of progress* in grappling some of the core challenges arising from the Protocol commitments
- There is a need to *move from ambitions to technical detail* very quickly
- There's a need for *better access for business* on this issue with both HMG (e.g. the Border Delivery Group) and the NI Executive
- NI-GB and GB-NI detail is hugely important and needed now, but the integrated nature of the *whole island economy* is also important
- The solutions that are brought forward need to *reflect the needs of business and consumers* e.g. applied trusted trader schemes
- An *education piece* needs to be undertaken by government both in NI and GB about what the protocol implementation means in practice, especially for small business
- Our overriding asks – for *representation, mitigation, derogation and compensation* – remain essential if NI is to safely navigate this upheaval
- There is *little bandwidth or financial capacity* amongst the NI business community to deal with this now
- There will be *little bandwidth* in January to deal with these changes either.

Where things stand in light of 'The UK's approach to the Protocol'

Dealing with the Coronavirus crisis has distracted from preparations that would otherwise have been intensively focused on the legal regime to apply at the end of the transition period. This increases the importance of using the remaining time effectively, and for business and Government to work together to deliver a pragmatic regime that will support the next critical phase of economic recovery for businesses right across the UK.

The more friction in any border crossings into or out of Northern Ireland, the greater the costs/risks and the lower the profitability, and thus the greater the threat to the NI economy. Coming on top of the devastating effects of the coronavirus pandemic, *all efforts must be made to avoid unnecessary risks and costs to Northern Ireland business.*

Northern Ireland businesses face changes in operation both with the EU single market and within the UK internal market. This must be done with *adequate information, time for preparation and, where appropriate, support and mitigations*.

With this in mind, we are calling on the UK Government to make urgent progress on 10 specific matters, building on commitments that they have already made.

A.

<u>To Ensure there are no Legal Impediments to Trade at the end of the Transition Period</u>

What this is about:

The UK Government must commit unequivocally to concluding, by the end of the transition period, all necessary preparations and negotiations with the EU. It would not be acceptable for any lack of clarity or dispute with the EU threaten the lawful basis for trade.

What the Government has promised:

- [The Government has not committed on this. Instead Paragraph 1 of the Command Paper states:
  "Our trading arrangements at the end of the transition period on 31 December this year will
  either be based on the Withdrawal Agreement only, or also on a Free Trade Agreement concluded with the EU."

What remains unanswered:

- A 'No Deal' scenario would create legal impediments to NI trade with GB as well as with the EU (e.g. in respect of services, etc.). How will the government avoid such a scenario were a deal not in place by 31 December 2020?
- Does UKG intend there to be a staggered sector-by-sector implementation of any UK-EU FTA and how would that work?

B.

<u>To Guarantee and Legislate for Unfettered Access to GB for NI Goods</u>

What this is about:

There is a risk of being caught outside the edge of both the GB and the EU markets unless the definitions of 'unfettered access' and 'NI qualifying goods' are handled very carefully and based on evidence. The UK Government must urgently set out their proposals for: (i) how unfettered access will be achieved; (ii) how this will ensure that these benefits are provided only to NI goods/businesses; (iii) the timeframes within which those proposals will be enshrined in law.

What the Government has promised:

- No additional process or paperwork on trade from NI to rest of the UK
- Legislation for unfettered access for NI to GB movement of goods to be in force by 1 January 2021
- To define a qualifying status for goods and businesses in NI to benefit from unfettered access
- To have no exit or summary declarations on goods leaving NI. [This is to be negotiated with the EU]

What remains unanswered:

- How to protect the quality and status of NI goods in GB?
  - How does the UKG propose striking the balance between unfettered access and protecting the reputation and integrity of NI produce?
  - How will rules of origin and cumulation work for manufactured and processed goods if they are to qualify as NI origin, even though components from other countries will be used in final production?
  - What protections will be given to ensure that NI goods do not face competitive disadvantage or discrimination when placed on the market in GB?
  - What checks will be used to ensure that only NI-defined goods enter GB with unfettered access?
- How to manage UCC Exit Summary Declarations?
  If the UKG fails to have the requirement for exit summary declarations lifted on NI-GB movement:
  - What will this cost and who will bear this cost?
  - What training support packages will be given to NI firms?
  - Where will the customs office of exit be?
  - Can the exit summary declaration be submitted electronically, and to whom?
  - How long in advance of the consignment arriving at the port of departure must paperwork be submitted?

- What is the procedure for clearing a consignment at the post of exit, and what time will this require?
- How can goods manufactured in Northern Ireland but stored in Ireland or shipped via Dublin before delivery to Great Britain avoid the costly and burdensome task of transit formalities in order to remain competitive within the UK internal market?
- Is a simplified approach recognising the nature of all-island supply chains and the use of Dublin Port for 'Just in time' freight to Great Britain possible? And would it be recognised by the UK and EU to ensure continued unfettered access of Northern Irish goods to the GB market?

C.

<u>To Minimise the Impact of Exit Checks, Declarations or Processes as Goods leave GB for NI</u>

What this is about:

The UK Government has made clear that it considers some checks or controls will be needed as goods move from GB into NI under the Protocol. The negative impact of these processes can be limited by adequate, timely and well-resourced preparation for businesses to adapt to these new processes.

It is imperative that businesses are told as soon as possible what specific additional administration and checks will be required, not least so that the preparation for managing these and for taking account of the additional costs can commence in good time.

What the Government has promised:

- No new physical customs infrastructure in NI
- To use the latest technology, risk and compliance techniques
- To actively seek to simplify and minimise electronic documentary requirements for agri-food trade
- To review the new procedures for goods entering NI from GB on an annual basis. And 'if they should turn out to impose a disproportionate burden on goods moving wholly within the UK it will consider *how this burden can be reduced further or removed'*

What remains unanswered:

- What documents will be required, at what cost, and how administered? E.g.
  - Entry Summary Declarations (at £15-£65)
  - Export health certificates be required (at £200 each)
  - Rules of Origin certificates
  - Export control certificates
  - SPS checks and controls
- How will these processes work in practice?
  - Can all relevant documents be lodged electronically, if so how and where?

  - How far in advance of departure of a consignment should the declarations etc. be lodged?
  - What will be the inspection protocol when the consignment arrives in NI, and where will this take place?
  - Where and how will the checks take place and/or compliance be enforced away from the points of entry?
  - Can there be a Trusted Trader Scheme for 'UK only' businesses – Many businesses in the NI only operate within the UK. As such these businesses pose no risk to the Single Market as their goods never cross into the Republic of Ireland or beyond. The 'UK-only businesses' exemption principle is already established for customs duties in Article 5.1. of the Ireland Protocol. This principle should be extended to enable the creation of a bespoke Trusted Trader Scheme for UK only businesses, i.e. businesses which only trade between GB and NI and vice versa. This scheme would enable businesses, who can give assurances that their goods are not at risk of entering the EU, to trade freely between NI and GB and vice versa without the need for additional friction.
  - Will there be a safety and security agreement removing the need for entry and exit summary declarations between Great Britain and Northern Ireland and for this to work, it would also be likely
    that the same process would likely be required on shipping between Great Britain and Ireland otherwise,
    if there are no exit declarations for goods leaving NI ports but they are required for departing Dublin this creates an imbalance in formalities, a potential loophole to be exploited and potential concerns round level playing field.
- What systems will be set-up to allow these processes, and when?
  - What infrastructure will be required?
  - What IT system(s) will be developed and used for managing this?
  - Will a new AEO system be developed for GB-NI trade?
  - When will NI firms receive the necessary upskilling to manage the new systems and processes?

D.

<u>To Guarantee that no Tariffs will be Paid for Goods Remaining in the UK's Customs Territory</u>

What this is about:

The UK Government must set out how non-payment of tariffs for goods remaining in the UK customs territory will be assured and delivered without unnecessary burdens on business.

What the Government has promised:

- There will be no tariffs for goods remaining in the UK's customs territory

What remains unanswered:

- How does the application of EU Duties GB-NI and the "at risk" test occur?
  - When will the system for 'rebate' be designed and rolled out?
  - Are there any conditions under which intermediate processing in Northern Ireland will be permissible without being deemed "at risk"?
  - Could a form of 'Inward processing' relief be used and would this be economically viable for all sectors concerned?
  - How will goods bound only for in the UK internal market (in NI) be protected?
  - How can impact on price and choice be avoided or at least mitigated for NI businesses and consumers?

E.

<u>To Give Businesses the Information they Need to Prepare for any New Arrangements</u>

What this is about:

Businesses must be given the time and support to prepare for any new arrangements that apply as goods move between Great Britain and Northern Ireland. That requires clear, operational-level detail as to what changes the Protocol will entail and what businesses need to do in response.

The UK Government should therefore publish guidance, by the end of July at the latest, and tailored for different sectors as required, on the steps businesses need to take to be ready for the end of the transition period. It is not for Business to interpret the Protocol, but for the UK and EU to be clear about what rules apply and how.

What the Government has promised:

- To produce full guidance to business and third parties before the end of the transition period on the movement of goods GB into NI
- To provide further guidance for NI traders placing certain highly *regulated goods* on the GB market

What remains unanswered:

- When will this guidance be published?
- What training will be provided for NI businesses having to comply to these new rules?
- What financial support will be given to mitigate the additional costs incurred by compliance?

F.

To Fully Support Businesses in the Transition to any new Regime

What this is about:

While appropriate guidance is critical, so too is proper support from Government as businesses adapt to any new systems or processes.

What the Government has promised:

- To set out more detailed plans for *extensive HMRC support* for businesses engaged in new electronic processes for east-west movement
- To provide further information on how *state aid provisions should be operated* by public authorities before the end of the transition period
- To *fund the costs of implementing the agri-food requirements* set out in the command paper

What remains unanswered:

Full support must mean (with details for each strand set out by the summer):

a. A dedicated Business Transition Fund: to help meet the costs of adapting to any new requirements for checks, controls or administrative processes
b. To ensure that these costs are minimised on an ongoing basis
c. Urgent work on how to fund, incentivise and stimulate an adequate supply of customs agents and other intermediaries on whom businesses will rely for any new regime. This should include consideration of centrally deployed Government resource (for example veterinary or other staff) that could help businesses complete any formalities without additional costs.
d. A practical, funded Transport Plan that ensures goods can flow through NI ports without delays or queues.

G.

To Prepare for two VAT Regimes within NI: EU VAT rules for goods & UK VAT rules for services

What this is about:

The Protocol means that the provisions of EU VAT law set out in the Principal VAT Directive (Council Directive 2006/112/EC) concerning goods shall apply to Northern Ireland, as will the EU rules for excise duties and this will include the ultimate legal oversight of the Court of Justice of the European Union (CJEU) in all VAT matters related to trade in goods in Northern Ireland.

Current EU thinking is that NI will apply EU VAT rules on goods and, as such, supplies to and from the rest of the UK will be treated in the same way as supplies to/from any other third country outside the EU. However, as trade in services is not covered by the Protocol, this means that full UK VAT legislation and legal oversight of UK courts will apply to transactions in services for NI businesses.

It should be possible to deal with the above VAT issues operationally (e.g. postponed VAT accounting by the UK on all imports of goods from both EU and non-EU countries after transition has the potential to be extended to all imports into NI). However, it is clear that to implement any changes to the VAT rules that do arise will include modifications to VAT accounting systems to cope with these within existing supply chains.

What the Government has promised:

- HMRC will continue to be responsible for the operation and collection of the revenues
- 'The Government is confident that we can use the flexibilities available… to implement these aspects of the Protocol in a way which minimises new costs and burdens on businesses in Northern Ireland'.
- The Protocol allows the Government to apply in Northern Ireland VAT exemptions and reductions, including zero rating, corresponding to those applicable in Ireland. 'This means Northern Ireland will benefit in the same way as the rest of the UK from the Government's commitment in the Budget to scrap the 5% rate on sanitary products from 1 January next year.'

What remains unanswered:

- HMRC needs to clarify how NI remaining in the UK VAT area but complying with EU rules will work in practice.
  - How will it be ensured that is not unduly complicated for NI businesses having to apply dual VAT rules and VAT legislation (depending on whether they are trading in goods or services)
  - Will deferred accounting be permitted rather than a point of entry system (as was proposed during no deal planning in phase 1)?
  - As announced for UK importers in the March 2020 budget, will deferred accounting for all imports from EU and non-EU countries take effect from 1 January 2021?
  - How will HMRC approach the issue of services which attach to goods moved under the Protocol arrangements?
  - Can these arrangements also be put in place for duty, which will be particularly onerous on the agri-food industry?

H.

<u>To Protect Access to Labour in accordance with the Needs of NI Businesses</u>

What this is about:

Sharing a land border with the EU, but subject to a much stricter immigration regime than Ireland, NI will have restricted access to labour from the EU (including unskilled and semi-skilled workers). This will increase costs and

restrict resources for NI businesses, putting them at a disadvantage to businesses in the RoI.
An ability to hire personnel from both Ireland and the UK is important for the labour market and the competitiveness of Northern Ireland. In the Common Travel Area Memorandum of Understanding (May 2019) a commitment is made to ensure that comprehensive measures will be in place to allow for the recognition of all relevant professional qualifications. But this MoU is not legally binding.

What the Government has promised:

- [Nothing in particular has been promised in relation to access to labour, other than that NI will be subject to the 'new sovereign immigration system', which explicitly restricts access to EU workers]
- The command paper commits the UK Government to 'work closely with the Irish Government to explore how to strengthen cooperation and bilateral work over the coming years'.

What we need:

- How will the CTA will be protected in legal form?
    - What measures will be put in place to protect mutual recognition of qualifications between the UK and Ireland to allow British and Irish citizens to fully exercise the rights and privileges under the CTA?
    - How to ensure British and Irish citizens' rights to live and work across the UK and Ireland?
- How to prevent exploitation of different immigration systems on the island of Ireland?
    - What measures will be put in place to ensure that differential immigration systems on the island of Ireland are not exploited by criminal gangs, undermining legitimate businesses in NI?
    - What steps can be taken to avoid greater and more onerous immigration and modern slavery compliance controls being imposed on NI businesses relative to GB competitors as a result of an open border?

I.

<u>Preventing Northern Ireland being at Economic Disadvantage to GB and Ireland</u>

What this is about:

Supply chains will always take the path of least resistance and businesses seek to reduce unnecessary uncertainties and risks. The Protocol sets out that EU state aid rules will apply to trade 'subject to the Protocol', i.e. relevant to the movement of goods.

What the UK Government has promised

- That it remains committed to a New Deal for Northern Ireland. 'That includes appropriate commitments to help boost economic growth and Northern Ireland's competitiveness, and to support infrastructure and connectivity North-South and East-West.'
- To provide further information on how state aid provisions should be operated by public authorities before the end of the transition period.
- NI is to benefit from new UK FTAs

What remains unanswered:

- How to protect NI's position in the UK internal market?
  - What measures will be put in place to ensure that NI firms are not at a competitive disadvantage relative to the rest of GB despite the potential new costs (in terms of tariffs, paperwork or staff hours)?
  - How can we ensure costs arising as a result of the Protocol (which specifically place NI businesses and consumers at potential disadvantage), do not exceed product margin, thus rendering the product or business model unviable?
  - What impact will new GB-NI 'administrative processes' have on just in time supply chains in particular?
  - Will there be mechanisms in place to manage regulatory divergence over time?
- How to protect NI's position as part of the all-island economy?
  - If the Protocol allows free movement of goods across the border, how do we transport (and service) those goods across the border in absence of an agreement on services?
  - How can NI firms compete on the island of Ireland in accessing the EU market when RoI has continued free movement of services, capital and labour in addition to goods?
- What will happen with state aid rules?
  - Does the Protocol mean NI may not be able to benefit from UKG schemes if they do not adhere to SARs?
  - Will UKG have to apply to EU for permission to apply schemes to NI?
  - Is it possible that NI will not be able to avail of UKG schemes, and will be ineligible to avail of EU schemes?
  - Will the UK submit a State Aid Application that ensures that waivers and reimbursements of duties can be applied as agreed in the protocol to facilitate the processing of GB raw material by Northern Ireland manufacturers and onward sale to the UK, EU and 3rd country markets?
  - Will this State Aid Application also include provisions to allow support for Northern Ireland businesses with respect to non-tariff costs of trade from GB to NI.
- What about NI goods going to RoI for manufacture and onward sale to the Rest of the World through contracts that are currently undertaken through EU FTAs?

- For this produce there is a major problem on Rules of Origin. If we cannot find a way round this there is a good possibility that RoI companies will cease taking NI product which would in some industries, such as dairy, leave a huge deficit.

- What about RoI primary produce where the final products manufactured in NI are mainly sold on into GB and Rest of World?
  - In addition to the issue of a NI qualifying good, this raises the issue and the opportunity to avail of UK FTAs. If we cannot avail of UK FTAs (for example, because of UK – EU divergence on standards) then this will devastate agri-food since we are an exporting region of the UK.

  As a consequence of these two possible outcomes NI agri-food could be in the worst of both worlds of not being able to avail of either EU or UK FTAs for some of their products.

  - UKG contention is that all of the trade from GB to NI for further processing results in UK origin product going back to GB or staying in NI. That isn't correct and we need a route to bring GB origin raw material in where we do not pay a tariff on all of it at the point of import, can process it in NI and send it back to GB or, if we wish, have a mechanism to legitimately export to the EU
  - The definition of Qualifying Good needs to protect all-island supply chains (ROI > NI > GB)

J.

<u>To Put Comprehensive Business Engagement at the Heart of the UK's Approach</u>

What this is about:

The UK Government should not only urgently convene the business engagement forum but ensure that the terms of reference and rules of procedure for this group is clear and that it will be drawn upon in such a way as to enhance the transparency of the UK's approach to the Protocol, that the implications of the UK-EU deal will be read-across to the implementation of the Protocol and that evidence on trade flows is deal with on a cross-sectoral basis.

What the Government has promised:

- To create a *Business Engagement Forum* which will:
  - (i) meet regularly,
  - (ii) allow NI businesses to put forward proposals and
  - (iii) provide feedback on how to maximise the free flow of trade',
  - (iv) develop proposals around the east-west movement of goods and clamping down on risk of illegal trade,
  - (v) consider all proposals for NI to make maximum use of regulatory freedoms.

What remains unanswered:

- How will this work in practice?
  - When will this be established?
  - How often will it meet?
  - Who will be included?
  - Will it have sub-groups for various sectors?
  - Terms of reference
- What impact will this group have?
  - How can we be guaranteed that this will not be ‘window dressing’ or mere ‘consultation’ or ‘cover’ but a Forum in which the potential solutions are considered, problems outlined in detail and evidence-based discussions take place?

7 Other Thoughts on the Current Withdrawal agreement:

7.1 Summary of points:

- This deal is better than no deal and does provide some much needed certainty
- We have always argued for unfettered access to both the EU and GB markets to allow us to continue to provide NI and GB households with choice and affordability.
- We will need support from government to continue to provide choice and affordability to NI consumers.
- We will need to have access to the Joint Committee that adjudicates on what is and isn't "at risk" goods to help them make informed decisions
- Declarations, tariffs, administration and delays all have costs
- Retail is a low profit high volume industry and has little or no capacity to absorb cost rises
- The NI consumer similarly does not have the ability to absorb cost rises
- Our industry will need significant support to implement the new changes to the customs and checks regime
- Any of these new changes will take time to embed
- We will need support from government to continue to provide choice and affordability to NI consumers.

- There is a chance for the UK to mitigate some of these measures unilaterally and through the future trade deal with the EU.
- As the supply chains are integrated there is a lot of product which either comes into the UK and is sent on to NI or manufactured here and sent over
- Retail transport is very different to standard freight transit – it reflects the shop in terms of multiple products and in the case of food highly perishable relying on just in time delivery

- We need to look at schemes to mitigate the need for checks such as AEO and trusted trader but such schemes take time to implement
- It will be hard to bring in all of the changes and new systems needed by Jan 2021

7.2 Customs/Tariffs

Tariffs, the payment of tariffs and the reclaiming of tariffs is of huge concern.

The following *(in italics)* is an extract from the Institute of Government on the NI Protocol outlining rules which we understand will come into effect if there is a 'No Deal' or if there is no agreement after negotiations during the Transitional Period:

For Northern Ireland–Republic of Ireland trade, the EU's Union Customs Code (customs rules) apply and there would be no tariffs or restrictions.

Goods moving directly from Great Britain to Northern Ireland won't be subject to a tariff unless the good is "at risk" of being moved into the EU afterwards. Likewise, goods from third countries entering Northern Ireland will be subject to the UK tariff, unless they are 'at risk' of being moved to the EU.

For goods deemed "at risk", the EU tariff will be applied. If the UK tariff is lower, and those goods are proved to have stayed in Northern Ireland, the UK can reimburse traders.

The Joint Committee will establish further conditions under which goods coming into Northern Ireland from Great Britain would have to pay the EU tariff.

Preference – no mutual recognition
Preferential origin will not be recognised when shops transfer stock to NI. Preferential duty rates are a key feature of apparel and footwear businesses, however despite the UK's commitment to continue a similar preference regime as the EU, the preference status of the goods will not be recognised when the goods enter NI, resulting in the full rate of duty being paid upon entry in to NI (eg - duty of 17% being applied on textile upper footwear from Cambodia, whereas the preferential duty rate is 0%). This applies whether the goods are retained in NI and duty refunded or shipped onwards to the Republic. The preferential status is lost as there is no mutual recognition of the UK and EU preference regimes and the EU's Non-Manipulation Rules prohibits the application of preference where goods shipped via a DC in a third country (unless the EU importer was the original origin country exporter – this is not so for most traders).

"AT RISK" GOODS IMPLICATIONS

"At risk" goods are defined as those which can be transported into Northern Ireland and then moved on into Southern Ireland without any EU import duties being accounted for.
The proposals suggest "at risk" goods will be subject to EU duties when sent from the UK to Northern Ireland but that a "refund" may be achieved where it can be proved that the goods remained in Northern Ireland.

1. What goods are "at risk" – this must be defined very quickly in the withdrawal process – no defined timeline identified at present.
2. How will "refunds" be effectively processed to reduce any cashflow or absolute costs to the business ?
3. Will there be a timeline for processing refunds for the which the Government could be held to account for ?
4. What practical evidence will have to be provided to prove goods have remained in NI if they are deemed "at risk" and what administration costs will be associated with this ?
5. What will the dispute resolution process be for rejected / queried refunds ?

There had been food deflation for over five years until last year and with the competition in the retail market place margins are lower now for retailers than they have ever been. This means that retailers have little capacity to be able to absorb any higher costs due to tariffs and they will have to be passed on to the consumer.

With median full-time weekly earnings in Northern Ireland almost 10% lower than the UK median and NI households having half of the discretionary weekly income of GB counterparts indicates that Northern Ireland consumers will have reduced resilience to any price increases post-Brexit.

5.3 Non-Tariff Barriers and SPS checks

While much of the debate around the UK's future trading relationships with the European Union has focused on the impact of possible tariffs, the additional checks and controls (so called non-tariff barriers) applied to goods imported into the UK from the EU if the UK leaves the customs union and single market, could be just as damaging to businesses and consumers as tariffs.

At present, when goods enter the European Union from outside member countries they are subject to checks and controls. There are 405 of these controls in total, with fresh beef facing 22 of these measures, strawberries 28 and pharmaceutical products 44 (Table 1). These are in place to ensure that products do not contain pathogens, contaminants or residues that are a risk to human health; that they comply with rules of origin and that the correct levels of taxation are levied.

As part of the EU customs union and single market we are not currently subject to any of these controls. However, it is not clear under the new regime what checks will be needed.

In the case of some meat imports, compliance with these measures could mean each shipment undergoing a veterinary inspection to obtain a certificate before export, followed by a submission of documentation (relating to veterinary health and origins of produce) to UK authorities, which will then have to be verified, before an appointment is booked for physical inspection of products on arrival.

While not every import will be subject to this level of control, the increase in the administration for most shipments of goods will be significant. Products will also be at risk of substantial delays if border posts struggle to cope with the numbers.

These additional controls will not come without a cost.

Compliance with EU regulation for all products crossing the Irish Sea border into NI: again, under current business models this would be at store pick level where each pick would incorporate a vast number of products requiring certification including medicines, medical devices, POAO. We currently have over 600 product lines; for each we will have to establish a commodity code in accordance with the EU Tariff in order to identify any regulatory requirements. Some retailers do not currently hold this information as we do not export to destinations where this information is required.

Compliance with agri-food regulation - this is our biggest area of concern by far. The Govt's own impact assessment is clear that GB businesses will face additional compliance costs when moving agri-food products into Northern Ireland, such as Export Health Certificates (EHCs), pre-notification to BIPs and veterinary checks for POAO goods. The compliance, administrative, logistical and financial impact is likely to be significant on any retailer moving agri-food products from GB to NI -

7.4 Labelling

Are there any implications for Food labelling for supplies going North to South in Ireland or between GB and NI?

Many manufacturers and retailers are very closely linked across the border with Northern Ireland where goods cross several times during manufacturing or processing for. For example, cattle can be reared in NI, finished in RoI, slaughtered in NI and processed and packaged in England (through ports in RoI) and finally the meat shipped back to Northern Ireland to go into stores. That is five border crossings just to ensure fresh quality produce for the Northern Ireland consumer.

The 310-mile Northern Ireland/Republic of Ireland border would become the only physical land border between the UK and EU after Brexit with hundreds of crossing points. It will be a priority for both the UK and the EU to ensure the border does not make the dumping of goods on markets easier and the ability to track food through all stages of production harder than at present.

At the same time, avoiding a "hard" customs and trading border is a key objective in the negotiations given the economic harm businesses could face from additional red tape and disruption to their business models. There is a need for a series of complimentary solutions and a high level of coordination to overcome the particular challenges retailers will face across the Northern Ireland/Republic of Ireland border with sourcing or supply chains. An agreement on mutual recognition of product standards and regulations will be crucial to avoiding burdensome health or veterinary checks. We also need a system of mutual recognition with the EU on customs "fast track" systems (AEO) to help with coordination. At the same time, the UK should also broaden the scope of its customs "fast track" into a "trusted trader scheme" as set out in the UK

Government Brexit White Paper. For the transitional period immediately after March 2019 a customs union relationship between the UK and EU would help with the implications for trade and the Irish border.

At present, membership of the EU Single Market means that UK companies only have to
comply with one set of regulations to trade with 27 other Member States as well as the EEA countries of Iceland, Lichtenstein and Norway (although different customs arrangements occur with the latter 3 countries). This makes doing business across borders a lot simpler and especially in Ireland where this cross-border trade is an integral part of business and of life on the island.

With the Freight Transport Association estimating that every minute delay is a cost of one pound it is easy to see how the financial burden will add up if there are checks, border posts, delays to check documentation and even stops for shoppers. The fluid nature of the border is just a normal way of life and any changes to this frictionless border will have a significant financial impact.

7.5 Costs for Consumers

Costs for declarations, checks and administration will ultimately be price inflationary as the cost of supplying the goods into Northern Ireland goes up. Export documentation costs are linked closely to the number of different commodities transported. The requirement for additional export documentation for transportation of goods into NI is likely to result in small value commodity importations being restricted due to the additional cost of bringing them into NI and a concentration on the high volume, single commodity code product.

The cumulative impact is increased costs and lower profitability for retailers operating in NI, as well as potential supply chain disruption and reduced incentives for investment.

Contact:

Aodhán Connolly
Director
Northern Ireland Retail Consortium