

DÁIL ÉIREANN

ROGHCHOISTE SPEISIALTA AN TSEANAID UM AN RÍOCHT AONTAITHE DO THARRAINGT SIAR AS AN AONTACH EORPACH

SEANAD SPECIAL COMMITTEE ON THE WITHDRAWAL OF THE UNITED KINGDOM FROM THE EUROPEAN UNION

Dé Luain, 22 Márta 2021

Monday, 22 March 2021

Tháinig an Comhchoiste le chéile ag 3 p.m.

The Joint Committee met at 3 p.m.

Comhaltaí a bhí i láthair / Members present:

Seanadóirí / Senators	
Malcolm Byrne,	
Timmy Dooley,	
Robbie Gallagher,	
Róisín Garvey,	
Tim Lombard,	
Vincent P. Martin,	
Joe O'Reilly,	
Niall Ó Donnghaile,	
Mark Wall.	

Seanadóir / Senator Lisa Chambers sa Chathaoir / in the Chair.

Business of Select Committee

Chairman: I remind members to ensure that their mobile phones are switched off. I ask them to mute their devices until they are contributing. I welcome everyone to the meeting.

We have correspondence from the chairperson of the Northern Ireland Assembly committee for the Executive office, acknowledging our participation in a meeting with it on 11 March 2021. We also have the official report from the Northern Ireland Assembly committee for the Executive office meeting of 10 March 2021. We have correspondence from the European Commission. Vice President Maroš Šefčovič replied to a committee invitation to President von der Leyen. We have correspondence from the Minister for Further and Higher Education, Research, Innovation and Science, Deputy Harris, providing confirmation of his attendance at a committee meeting we will have on Monday, 26 April 2021. I ask that those items be noted.

We must adopt the draft minutes of our public meeting on 8 March, which was an engagement with officials from the Department of Health, the HSE, Permanent Defence Force Other Ranks Representatives Association and the CEO and Kingsbridge Private Hospital. Are the minutes agreed? Agreed.

Impact of Brexit on Business Sector

Chairman: The agenda for today's meeting covers the impact of Brexit on the business sector, on all-island trade and on trade between Ireland and the United Kingdom.

I will set out the initial caution for our witnesses. The evidence of witnesses physically present or who give evidence from within the parliamentary precincts is protected pursuant to both the Constitution and statute by absolute privilege. However, witnesses who give evidence from a location outside the parliamentary precincts are asked to note that they may not benefit from the same level of immunity from legal proceedings as witnesses giving evidence from within the parliamentary precincts and may consider it appropriate to take legal advice on this matter. Witnesses are also asked to note that only evidence connected with the subject matter of the proceedings should be given. They should respect directions given by the Chairman and the parliamentary practice to the effect that, where possible, they should neither criticise nor make charges against any person or entity by name or in such a way as to make him, her or it identifiable or otherwise engage in speech that might be regarded as damaging to the good name of the person or entity.

Members are reminded of the long-standing parliamentary practice to the effect that they should not commit or make charges against a person outside the Houses or an official either by name or in such a way as to make him or her identifiable. Committee members are only allowed to participate in this meeting if they are physically present on the Leinster House campus. In this regard, I call on all members prior to making their first contributions to confirm that they are on the grounds of the Leinster House complex.

Participants in the committee meeting from a location outside the precincts are asked to note that the constitutional protection afforded to those participating within the parliamentary precincts does not extend to them. No clear guidance can be given on whether or to what extent participation is covered by absolute privilege of a statutory nature.

Members will be aware that we have encountered technical difficulties or ICT issues in previous meetings. Should such difficulties arise again during this meeting we appeal to people to bear with us. Most can be ironed out but please bear with us if anything does arise during the meeting.

The meeting today is broken into two sessions. The first is from 3 p.m. to 4 p.m. and the second is from 4 p.m. to 5 p.m. The first witnesses are representatives from InterTradeIreland and the Irish Small and Medium Enterprise Association, ISME. The witnesses include Mr. Ken Nelson, chairman, and Ms Kerry Curran, assistant director, strategy and policy, of InterTradeIreland. We are also joined by Mr. Neil McDonnell, chief executive officer of ISME, and Mr. Damien Roche, managing director of the Roche freight company, who is for ISME as well. We will hear from the representatives of InterTradeIreland first and then from Mr. McDonnell and Mr. Roche.

Mr. Ken Nelson: InterTradeIreland welcomes the opportunity to present to the Seanad Éireann special select committee on the issues arising for Irish firms trading cross-Border following the UK withdrawal from the EU Single Market and customs union. I am the chairman of InterTradeIreland and I am accompanied today by Ms Kerry Curran, assistant director of strategy and policy at InterTradeIreland. Ms Curran has been engaged at a policy level on Brexit matters since 2017 and during that time has managed the research undertaken by the organisation on the impacts of Brexit on cross-Border trade. There is no better person to have with me than Ms Curran.

InterTradeIreland is the cross-Border trade and business development body. Our main objective as an organisation is to increase cross-Border trade and economic co-operation for the benefit of firms in both jurisdictions. In an Irish context we help Irish firms to take advantage of trade and business opportunities in the Northern Ireland market. A key priority for us at present is to help businesses to continue to trade and export cross-Border in these challenging times.

Cross-Border trade in goods and services is of great value not only at firm level but overall to both economies. Such trade was in growth mode prior to the pandemic. The latest available statistics show that cross-Border trade in goods and services had risen to €7.4 billion in 2018. Central Statistics Office statistics show that Irish trade with Northern Ireland continued to grow at pace in 2019. Our trade programmes, Acumen, Elevate and Emerge, continue to help firms seeking to grow their cross-Border sales at this time. As all present are aware, the current economic environment is challenging. That is very much borne out in the results of our recent business monitor survey, on which I have no doubt Ms Curran will comment further at a later stage. On average, 50% of responding firms report that they are contracting, winding down or surviving at all costs, compared with 13% at this time last year. Only 40% of businesses across the island are fully operational. Interestingly, however, 61% of businesses report Covid-19 as having the main impact on business operations, while just 5% state Brexit alone is the cause of business difficulties. It is clear the pandemic has been and remains the biggest concern for businesses at present, impacting significantly on supply and demand, business and consumer confidence and cash flow.

In addition to our full range of trade and innovation supports, InterTradeIreland introduced several emergency Covid supports when the crisis hit last year. These include the e-merge programme, a fully funded initiative that helps businesses to move their presence and sales online, and the emergency business solutions programme, which supports firms in adjusting to the very practical side effects of Covid, including dealing with HR implications and health and safety when getting staff back to work.

Of course, as we will be discussing today, many cross-Border traders are also adjusting to the changing market access conditions arising from the UK exit from the EU. Many firms across the island have supply chains that extend into Great Britain, and InterTradeIreland supports those businesses to understand the new procedures they need to undertake. In addition, InterTradeIreland is providing advice on the changing circumstances for businesses trading in services cross-Border. Indeed, we have been proactively helping businesses in their preparations for Brexit through our Brexit advisory service since the referendum result in 2016.

We have engaged with and supported thousands of microbusinesses and SMEs over the past four years to get their businesses Brexit ready. We saw the results of this in the preparation figures for firms at the end of the transition period, with 45% of cross-Border traders having a plan in place for Brexit compared with 25% of firms overall. Since 1 January, the Brexit advisory service has been incredibly busy dealing with enquiries. The support we have been offering to Irish firms includes Brexit vouchers of up to €2,250 for one-to-one consultancy or training support, which provides firms with professional advice from an expert to map their supply chain and identify and manage supply chain issues, to understand VAT and customs implications, and customs training, among other areas of Brexit advice. Our Brexit digital content site, which has more than 16,000 users, is an excellent source of practical advice for microbusinesses and SMEs. We update the site regularly with new information as it becomes available. We also signpost to the many other relevant sources of support and guidance, including Enterprise Ireland and local enterprise office supports. We have also been engaging with firms extensively through online events. However, challenges remain and it is still early days for firms adapting to such change. In this current difficult and challenging economic environment, we are using our full range of trade and innovation supports to help businesses navigate their way through.

I note that InterTradeIreland continues to work in close partnership with our colleagues at the Department for Enterprise, Trade and Employment as well as experts at the Revenue Commissioners on customs issues, and to bring together relevant bodies in the UK and Ireland to ensure cross-Border traders on the island have a full understanding of the changes taking place.

Mr. Neil McDonnell: I thank the Chairman and members. ISME is grateful for this opportunity to address the committee.

Following the Brexit referendum result in 2016, a great deal of focus was placed on our export sector, particularly food exports to the UK. In terms of Ireland's overall trade balances, this was inappropriate. While Ireland had an overall trade surplus of €75 billion in 2020,

we had a trade deficit with the UK of €5.4 billion. The SME sector is disproportionately dependent on those exports. The CSO table provided shows that 67% of UK imports are accounted for by Irish SMEs. These imports do not simply materialise in our warehouses, factories and shops. They are imported by professionals like Roche Freight. Since 1 January, the landscape for importers from the UK has been profoundly altered by Brexit. While we appreciate that professionals in our Revenue and customs services are working hard to minimise disruption, this is not happening quickly enough. I have included in my submission to the committee correspondence between Roche Freight and Revenue in Rosslare which illustrates the complexity of the issues that will shortly result in significant reductions in stocks to which the domestic Irish economy has become accustomed over long decades.

In order to mitigate the costs being imposed on freight across the Irish Sea post Brexit, we need to address a number of matters, the first of which is the issue of movement reference numbers, MRNs, before Revenue debits VAT and duties from the importer. Revenue is debiting

VAT and duties due by the importer 30 minutes before port arrival. In cases where the importer has multiple inbound shipments, Revenue may make a deduction which means the importer has insufficient funds to clear a shipment which is 30 minutes from port. The importer can transfer funds during working hours via the Revenue online service, ROS, but outside working hours, this can hold up other shipments. Revenue's offered solution to this issue is not practicable at present.

The second matter we need to address is that of co-loaded shipments, that is, those with goods for both Northern Ireland and the Republic. Such loads have been a feature of UK-Ireland trade for three decades. These have been effectively stopped by Brexit, with significant implications for shipping costs. We understood that Northern Irish businesses were to be given special numbers to facilitate this but it has not happened. The stopgap fix by the Northern Ireland Government using the trader support service is too cumbersome.

The third matter we need to address relates to movements of goods from UK to Ireland which require Department of Agriculture, Food and the Marine notification. Such goods need better co-ordination with the customs and Revenue authorities. We have had the example of a shipment cleared by customs and delivered to Dublin which was subsequently recalled by the Department. This cannot happen.

We also need to address the issue relating to rules of origin, which is causing severe problem for Irish importers purchasing EU goods from UK distributors. Those Irish importers can never order from EU countries in the quantities that many UK distributors can.

Those are the four issues to which I draw the attention of the committee. My colleague, Mr. Roche, managing director of Roche Freight Ireland, will be happy to explain the necessity of these reforms and the background to them during the question-and-answer session.

Chairman: I thank Mr. McDonnell for his opening statement on behalf of ISME. He has highlighted some key issues that the committee has previously come across in engagements with other stakeholders, including the road haulage sector. The customs and Revenue issue has arisen previously.

We will now open a question-and-answer session. Members can indicate on their screens when they would like to come in. If it okay with the representatives of InterTradeIreland and ISME, we will flow back and forth as members pose questions. Our guests should be free to interject at any stage if they wish to come in on an issue. We will keep the interaction as free-flowing as possible, taking into account the challenges that are sometimes posed by virtual meetings. So far, so good.

Senator Joe O'Reilly: There is no need for me to repeat everything that has been said and I have the briefing notes that were, helpfully, sent in. I thank our guests for being here and for being so thorough.

It is very disturbing to hear from Mr. McDonnell that the arrangements made by Revenue are not adequate and that while ROS works during the day, there is no facility to work after hours, and that the proposed solution from Revenue is inadequate. This is a key thing for the committee to examine. Will Mr. McDonnell or his colleague elaborate a little on what they see as a proposed workable solution - which Revenue will not provide - so that we could at least make the point and incorporate it in our report and pursue it? I have nothing further to say because I do not believe there is any point in repeating an argument that has been well made

already. It is disturbing and we need to respond to it in a very practical way.

Mr. Neil McDonnell: I will ask Mr. Roche to respond. He has the detail on how the workings of that take place with Revenue during and outside duty hours.

Mr. Damien Roche: Since 1 November, we changed to an automated import system, AIS, which is new European customs clearance software. Prior to that, when one declared an import entry, everything was approved by the Revenue system. Revenue took VAT and duty first and then everything else in the declaration went through. Then one received a MRN, which meant that when the goods arrived, one was only waiting for a declaration that was green to travel through customs, orange for inspection by paperwork only or red for a physical inspection. Now Revenue is giving the MRN import entry as the entry is being done, which one tries to do in advance because we are pre-clearing goods in the UK two hours before arrival in the port, which is not what we did before Brexit. What is happening is that one thinks one has the VAT or duty paid in advance, because one has an MRN but 30 minutes out, Revenue collects its VAT and duty. That could be after hours, with ferries coming in after 6.30 p.m. Money can be lodged to the ROS system 24-7. The problem is that a customer or a freight-forwarding agent representing another customer of a shipment on one's trailer may not be not contactable 24-7, so they are not available to make the necessary amendment to the declaration they made to add additional funds to the import entry. This means that if a haulier has 40 different customers with goods their trailer, which we would have regularly, one shipment in respect of which there are insufficient funds will hold up the other 39 customers' shipments from being delivered the following day because they are held in customs until the money is paid. That is issue. They have changed the format that is still in place for shipments coming in by air and by deep sea. Those goods are still cleared when they have arrived in the ports. The UK system is the only system now under which goods are cleared prior to arrival in Holyhead, Fishguard or Pembroke, but one does not know if the funds required are in place up to 30 minutes before arrival because if another person clears goods for the same customer through a different port an hour earlier, then they could take the money that one has arranged with the importer. Really, a haulier must clear everything up before getting the MRN. During working hours, 9 to 5, the haulier is getting their customers' paperwork and everything in order so that they do not have to wait and hoping that nobody else is taking the money they have agreed with the importer to get the goods through customs. Is that helpful?

Chairman: Yes. I hope Senator O'Reilly does not mind if I ask a follow-up question. I am a bit gobsmacked to hear that. It seems so illogical.

Mr. Damien Roche: Yes.

Chairman: The committee is working towards preparing its interim report before summer. We want to make practical suggestions to the Government. We will be directing our views towards Revenue, for one, because it has come up previously. Has Mr. Roche received a response from Revenue on this? Is there a solution in the pipeline or is Revenue simply saying that this is how things will work now? What can we as a committee relay on behalf of Roche Freight Ireland Limited to Revenue in trying to get the matter resolved? Mr. Roche mentioned that one customer might hold up everybody on a truck. It seems bizarre that that would be allowed to prevail as a long-term situation. Surely, we can fix this. What are the solutions?

Mr. Damien Roche: The solution is to go back to the old system, as in up to 1 November last. We have asked Revenue why the system has changed and the response was that it is because of the Union Customs Code, UCC, directive on how the software has been developed

throughout the EU. I can only assume that is the correct answer because that is the answer I have been given. As stated by the Chairman, clearly it is illogical. Why can we not operate under the old system and why does air freight and deep sea freight not have to operate under the new system? Maybe down the line trucks will be allowed to come into the port, as we always did, but that is not on the agenda now. We are being told that we have to pre-clear goods two hours before arrival at the port in the UK. That means we have to have everything sorted before the trailer gets to the port and this makes it difficult for us to make decisions in regard to what to load and what not to load.

Chairman: I thank Mr. Roche. We will make a note of that issue for our report and try to raise the matter for him. The next speaker is Senator Malcolm Byrne.

Senator Malcolm Byrne: The Chairman and Senator Joe O'Reilly have covered many of the questions I wanted to ask. One of the other areas we are examining is infrastructure at our ports, especially now with an increased number of direct sailings to continental Europe. What would Mr. Nelson, Mr. Roche and Mr. McDonnell like us to include in the report in respect of specific recommendations on infrastructure? The witnesses will know that the national development plan is being reviewed. Given the new transport flows in Ireland, are there any recommendations they would like us to make?

Mr. Neil McDonnell: As the managing director of a company with freight on the road, Mr. Roche is in a position to answer that question. As a default position, if we get the administration right, we should not need to build out significant physical infrastructure. That would be our priority. As regards what will be required, I know there are proposals on the table from Northern Ireland regarding how we will handle the Department of Agriculture, Food and the Marine requirements. If they could be achieved, we might obviate the need for building out infrastructure that might be redundant in the future. As I said, Mr. Roche will be better able to answer on the physical infrastructure question.

Mr. Damien Roche: On the infrastructure, we need to get vehicles moving more quickly as outlined in the presentations. We also need to address the issue of the communications between the Department of Agriculture, Food and the Marine and the HSE. If one proposes to bring in an import that they want to inspect and one clears the goods with them, it then kicks from a yellow routing into the Revenue system, which could result in what I mentioned earlier in terms of insufficient funds. Following clearance of the funds with the customer and Revenue, it then jumps into the HSE to be inspected again even though it would have previously said it was happy with it. That can happen with respect to the Department as well. This holds up space in the port, which is not necessary. The software in Revenue, the HSE and the Department is not talking to each other in the same way as it did in pre-1993 times when Revenue controlled all vehicles that came out of the port for the HSE and the Department. It is a matter of moving vehicles through the system more quickly. If the first point I made was clarified and the point I am making now was dealt with properly, there would probably not be as much infrastructural need in the port, except for inspection purposes. The main road out of the port in Wexford over the next couple of years will ease the movement of freight inwards and outwards, but as far as infrastructure within the port is concerned I refer the committee to the points made by Glenn Carr and David McArdle at a previous meeting.

Chairman: I thank Mr. Roche and I invite Mr. Nelson to respond.

Mr. Ken Nelson: I will give a brief response before I invite Ms Curran to comment. I accept Mr. Roche's points and I would not like to say too much on the infrastructure side but the

more that can be done on the process side the better. The CSO statistics just out for January 2021 show that trade between Ireland and Great Britain has reduced by 65% compared with the same period last year. At the same time, exports to Northern Ireland are up 17% and imports from Northern Ireland are up 10%. We are certainly seeing big issues on the east-west side but we are seeing the strengthening of the cross-Border supply chain networks. Factoring that into the decisions on the infrastructure needs to be taken on board.

Ms Kerry Curran: We are of the same view in that the infrastructure piece is not as important to businesses and is not really causing the delays and difficulties for firms. It is more about the issues with processing and a large number of firms getting used to all the new processes that they have not had to deal with before. Many of the firms that are bringing in goods from Great Britain have never had to deal with customs before. They have never had to find out what their commodity codes are, address any of the paperwork or deal with any of the additional costs associated with all this. At a time when Covid-19 is having a big impact on cash flow for firms, it is compounding the issue. It is really about processing. Making the processes easier, less burdensome and more cost-efficient for firms is really what is required.

Deputy Malcolm Byrne: That is very useful. The delegation will not be surprised to hear that I am glad that Mr. Roche mentioned, without prompting, the importance of completing the motorway out of Rosslare. As a critical piece of infrastructure, it is something we need to highlight.

Chairman: We can see the Deputy's smile from here. I knew he would be happy to hear the motorway mentioned.

Deputy Timmy Dooley: I thank all concerned for the presentation. We really appreciate their being with us. I do not want to be repetitive but the same issues concern me greatly. Interaction with Revenue still seems to be less than appropriate to meet the needs of customers, both hauliers and end customers. I suggest that we get a simple paper, perhaps from Mr. McDonnell, that sets out very clearly the issue we have and, more important, the solution or best approach. It would assist us in the report we will be preparing. We could engage again with Revenue in advance of producing our final report and try to get the matter resolved. We have heard about it from others. Quite frankly, it is not good enough that it has not been resolved at this stage. There has to be a way to ensure that moneys paid to Revenue are ring-fenced for a particular transaction and relate to the goods on one's truck in order that one pallet does not hold up an entire shipment. Surely there is a way of processing to ensure that a payment relating to the pallet on one's truck will remain related to it and somebody else will not be able to beat one to the slip, as it were, just as one is coming into port. It seems to be something from a darker age. I would not for a minute suggest that it is commensurate with the way Revenue does its business. It probably has the most sophisticated IT system of all State agencies. That relates to the fact that it does so much collecting of taxes. Surely the matter will have to be resolved in due course. I suggest that a small delegation from the committee go to the port when possible and see the system in action. This would help us in drafting our final report. Perhaps the Chairman and clerk could go. I know the Chair has been there before but it would be useful for us to see the manifestation of these delays on site in simple terms.

Chairman: Trips to both Rosslare Europort and Dublin Port would be worthwhile. I have been to Dublin Port a couple of times and it would be of use to the committee to see it in action before we finalise our report. I will go to Mr. Nelson first.

Mr. Ken Nelson: I invite Ms Curran to come in.

Ms Kerry Curran: The Senator raised the issue of engagement with the Revenue Commissioners. I note the request for Mr. McDonnell to provide a paper, which we would be happy to co-ordinate with him. We have been working closely with the Revenue, alongside Her Majesty's Revenue and Customs, HMRC, to support businesses trading cross-Border on the island, which need to interact with both agencies.

We held a successful webinar a few weeks ago, when we had more than 800 registrants, in order to help businesses understand exactly what they need to do when they are interacting with the Revenue and HMRC. It is not simply a matter of the paperwork at ports and the issues with MRNs. It is broader than that in terms of all of the complexities and changes that businesses are coming to terms with and trying to fully understand about their obligations to the Revenue and HMRC.

That includes the changes that are taking place with VAT, for example, with Northern Ireland following the EU VAT rules for goods but following the UK system for services. That impacts on Irish firms trading cross-Border with Northern Ireland in services. Those same firms are also trading across the water with Great Britain in goods and services so it is a complex picture for businesses to get used to. What we are touching upon today with MRNs is just one of the many issues that firms are addressing with the Revenue.

The Revenue has been positive in getting out there. It has engaged with us. Celine O'Neill of the Revenue has been engaging with ISME and its members, trying to put forward as comprehensive a picture for Irish businesses as possible. It is a big change. A lot of changes are taking place at once and aspects of the changes in tax and VAT are just one of the many issues that businesses are dealing with. A culmination of all of these things are causing problems with firms rather than just one specific element of their engagement with the Revenue.

Mr. Neil McDonnell: As someone who has been dealing with the Brexit issue in quite a level of detail for four-and-a-half years, when I got into the long grass and the detail of Mr. Roche's correspondence with the Revenue, it took me some time. In our opening address, one sees some of the detail in that boiled down to four simple points. The back of our submission includes Mr. Roche's full set of correspondence with the Revenue.

I agree with Senator Dooley that we can put a little bit more meat on the bones. We are not saying this by way of criticism of the Revenue. We just got to a trade and co-operation agreement, TCA, at the eleventh hour on Christmas Eve. We went into hard Brexit on 2 January and we are not three months into this yet. On the one hand, this is early days but as Mr. Nelson cited the CSO figures, what one has witnessed since 1 January is a massive stockpiling by importers ahead of 31 December to mitigate what was going to happen afterwards. Businesses such as Roche Freight intermediate transactions between a UK exporter and an Irish importer and vice versa. A lot of what we are trying to fix when we talk about the Revenue is that we are dealing with economic operators registration and identification, EORI, numbers that begin with the consignor and we are handling money as intermediates on behalf of the consignor. We absolutely understand that the Revenue has duties to catch on behalf of the Exchequer. We also understand that the Revenue has to manage VAT in a way that it did not before. However, there are ways of reducing that administration if we can get the heads around the table quickly. Although there is considerable detail in it, if we got to grips with the sort of detail that Roche Freight manages on a day-to-day basis, it would give the committee a faster understanding of what needs to be done. If we could get to a phytosanitary and veterinary agreement on an island, Northern Ireland and Great Britain basis quickly, it would solve the Department of Agriculture, Food and the Marine problem straight away. I believe the way ahead is to divide up the problem into a

bunch of smaller problems. I am happy to correspond with the clerk and give Senator Dooley and the committee whatever information is needed from ISME and Roche Freight.

Chairman: Does Mr. Roche wish to come back in on that point?

Mr. Damien Roche: It is not a potshot at the Revenue or anything. The Revenue is being helpful. However, I am looking at 35 years in customs clearance. I am probably older than many of the customs officers on site in Dublin Port and Rosslare. I figure I have a little more wisdom but I am not saying I have all the answers.

Two points that were brought up at earlier stages are critical. Roche Freight and many others have had daily departures with shipments for the Republic of Ireland and Northern Ireland from 1993 up to 31 December 2020. That was helpful as we would have had a shipment on the same trailer for Derry, Belfast, Cork, Galway, Wexford and Dublin. However, we cannot do that now and we are being told we have to separate them. The cumbersome nature of this was briefed in our presentation. We are one of a few companies that can provide a biweekly departure from the UK office in Swansea for south-west England shipments going to Northern Ireland. Under the trader support system it takes 24 hours to get a full answer back that we can present to the UK Border Force in the ports of Fishguard and Pembroke. We have to hold freight back that we would have normally co-loaded with Republic of Ireland freight. Previously, we would have moved it on a 24-hour or 48-hour basis. We cannot do that now so there has to be a system put in place, as suggested when Brexit was mentioned, to allow us to clear goods to a Northern Ireland customer as easily as we clear goods for a company in Dublin. That has to be brought forward. What we were told at the time was that the economic operator identification number of a Northern Ireland company would be changed to an XI number and the computer system in Revenue would understand that and the shipment would then transfer to Rosslare and go to Northern Ireland. That is not happening. We spend up to 48 hours on moving a Northern Ireland shipment for customers we have had for 30 years.

There is another point of major concern for many importers in the Republic of Ireland and I am keen to brief on it. If a shipment is bought in Germany by a UK company distributor and an Irish company buys from that UK distributor - something the company may have been doing for more than 30 years - then the shipment loses its country of origin status although it has come from Germany, Italy or France. The Irish company that buys the goods from the UK distributor has to pay the full rate of duty as if the shipment had come from China, America, or Australia even though the country of origin stamp on the product is from Germany, Italy or France. The company has to pay the full rate of duty. The officials in Revenue in Rosslare cannot understand why that is the case. The answer given is that it is preferential treatment and it has been lost by the exporter in transition from the European Union to the UK. I cannot understand how, simply because a shipment came through a wholesaler in the UK, it cannot hold its European Union origin status. The position is that because the customer in Ireland has bought it from a UK distributor, the customer has to pay the full rate of duty again. I would love to know the answer to that.

Chairman: I think it is a fair question. Mr. Roche identified the rule of origin issue as one of the four main issues. We have addressed it at a previous meeting and we know it is an issue. I am not referring to the specific example given by Mr. Roche but it has come up at other meetings. It came up in respect of flour because we import so much flour. It is having an impact in a very practical way on Irish citizens and other people living here, as well as on companies such as Mr. Roche's business. I do not know the answer to that problem. To be frank, I hope it is not a case of just making things difficult for the UK distributor. It is something that can be worked

out. The rule of origin issue is certainly one with which we will deal in our report because it is impacting in so many ways that were unforeseen before we hit a hard Brexit, as Mr. McDonnell put it, and had basically no time for this to bed in. In some ways, it feels like we have been doing this for quite some time but, as he stated, we are less than three months into this. This is the bedding-in time and these are teething problems. It will take time to adjust but these are the kinds of practical issues we need to and can resolve. These are the very practical trade issues that we should be able to fix, rather than the ideological arguments around Northern Ireland, the protocol and all that stuff

An issue that has come up at several meetings of the committee is the lack of conversation or interaction between the HSE, Revenue and the Department of Agriculture and the Marine. They need to start working together at ports for the benefit of the haulage industry, importers and exporters because people are basically being given the runaround and sent from pillar to post. The system has not been properly set up to cater for having to pass through the various checks and the additional administration work involved. The committee is getting the message loud and clear around the need to get the paperwork, administration work and processing time in order. All of that needs to become more streamlined and business focused to try to get as close as possible to what we had previously. It will never be exactly the same but, utilising technology and putting our heads together, we should be able to get relatively close to where we were.

I refer to the issue raised by Mr. Roche around not being able to import goods for the Republic of Ireland and Northern Ireland in the same consignment. That is just ludicrous. The goods are coming onto the same island. Surely we can find a technological solution to that issue rather than making things difficult. That issue might have had an impact in terms of the empty shelves in Northern Ireland which have created further political problems. Everything has a domino or knock-on effect. These little things become big problems when they annoy the average punter and that is what we must try to sort out.

What are the views of the representatives of InterTradeIreland and ISME on the unilateral extension of the grace period within the Northern Ireland protocol by the British Government? I take it that the business community is probably okay with it. The committee has discussed the impact of those checks coming in on 1 July and what that would have done. I suppose that has been kicked down the road a small bit now. How are businesses dealing with that? What are the views of the witnesses on the extension? How prepared do they think businesses are prepared for the extra checks that will be coming in at some point?

Some of our guests touched on the issue of the drop-off in trade. Figures compiled by the CSO indicate the drop-off in trade between Ireland and Great Britain. Imports from Great Britain are down by almost half if one compares January 2021 with January 2020. Part of that may result from Christmas stockpiling as well as the stockpiling in advance of the new customs regulations coming in, as was pointed out. What are the views of the witnesses in that regard? Exports to Great Britain are down by 14%. That figure is of significant concern to me because it represents Irish producers and businesses not getting as much of their product to a big market as they did previously. How much of that drop-off will persist in the long term, once we get over the Christmas stockpiling and the stockpiling in advance of the changes to the customs regulations and paperwork? What will be the longer-term impact of that change in trade between the two islands and markets?

I refer to the current Government supports. Mr. Nelson touched on the supports InterTradeIreland is providing for businesses. Do the representatives of InterTradeIreland and ISME

believe adjustments are needed to the current Government supports for businesses? Are the supports still fit for purpose? Are they working for our guests' clients? Now that we have had the benefit of three months in this new trading environment, is there anything the committee needs to include in its report with regard to adjusting those supports or adding additional supports?

I refer to the land bridge and trade going through the UK. This may be more an issue for Mr. Roche. How is the land bridge working in terms of getting in and out of UK ports? Is there more demand now for going direct to mainland Europe? Is there enough there to meet that demand or are our guests finding shortfalls? What is the view of their customers in terms of getting their products to and from mainland Europe and the options available to them now?

Mr. Ken Nelson: Ms Curran will come in with more of the details. Comments have been made about stockpiling and until we factor that out, and the impact of Covid-19, it is difficult to see what is required from the point of view of our supports. The TCA has addressed some of the challenges of the implementation of the protocol but there is likely to be a need for special rules of origin for movement of goods or *de minimis* rules for cross-Border supply chains. The final definition of Northern Ireland goods will be important and future changes of that definition have the potential to have a significant impact on cross-Border trade. Some of those issues still need to be defined and the interpretation of the text of the agreement is still being developed in important areas such as state aid. That may have an impact on some aspects of cross-Border trade supports in the future.

We will pick up, through our business monitoring, research and surveys, the impact that is coming through. January was certainly stark. We tend to get quarterly results but we are starting to see some stuff coming through already and perhaps Ms Curran will address that.

Ms Kerry Curran: Is the Chair happy for me to come in there?

Chairman: Absolutely. Go ahead.

Ms Kerry Curran: I will first touch on the extension of the grace period in order to make sure that I cover all of the points about which the Chair asked. Some businesses will, obviously, not have to take on an additional burden straight away on top of all of the other changes that are taking place. Those businesses will be welcoming the additional grace period, depending on the direction of travel of their trade. At some point, however, those requirements will come in and will be an additional burden on top of the administration, paperwork and potential costs that businesses are experiencing. We can see in the very latest statistics the impact on trade of the changes that have already taken place. It is definitely going to be difficult for businesses when the extra requirements do come in and I think it is going to be important that we have the right business supports in place to make as many mitigations and easements for businesses as possible.

The Chair also raised the issue of the drop-off in trade with Great Britain. There is an awful lot happening here. It is a very complex picture and it is not one that has just emerged since 1 January 2021. The latest all-island business monitor was a survey of businesses across the island of Ireland in January and February 2021 and, as a part of that, 22% of businesses in Ireland have told us that they have been directly impacted by Brexit. Many businesses are being impacted by Covid-19 and Brexit, as Mr. Nelson referred to in his opening statement. There is a great deal going on aside from the impact of Brexit. Changes have been taking place since the result of the Brexit referendum. When we look at the changing pattern of trade between

Ireland and Northern Ireland and Ireland and Great Britain, we have seen a considerable uptick in cross-Border trade on the island of Ireland since 2015 and 2016. The latest figures from the Northern Ireland Statistics and Research Agency, NISRA, on imports from Ireland relate to 2015 to 2018. The Northern Ireland official data show that imports of goods from Ireland to Northern Ireland have increased by 30%. The trade in the import of services from Ireland to Northern Ireland has increased by 36% in that short time period. Although the 2018 figures are the most recent available for cross-Border trade, we can see from the CSO data for 2019 that there was another significant uplift in cross-Border trade during 2019. Exports to Northern Ireland were up by 7%.

Last year was significant and impactful for businesses with the impact of Covid-19 but, that notwithstanding, exports to Northern Ireland fell by only 4.9%. That is significantly less than the fall in trade between Ireland and Great Britain. While there have been losses and changing trade patterns between Great Britain and Ireland, those Irish businesses are also reorienting their sales to sell more in Northern Ireland because of the unfettered access resulting from the Northern Ireland protocol. Many changes are taking place and even taking into account the very difficult year of 2020, from 2016 to 2020 the CSO's trade statistics show that there has been an increase in exports overall from Ireland to Northern Ireland of 26%. There is a lot going on there. Whether that will persist as easements are found will definitely be a mixed picture. It will very much depend on the sector in which goods and services are being traded. There are different reliances in Ireland's imports and exports in supply chains and in export routes between Great Britain, GB, and Northern Ireland. InterTradeIreland conducted research on this in 2018. The same sectors on which Irish firms are reliant for imports and exports to Britain are slightly different from those sectors that we are more reliant on for cross-border trade. The nature of easements which are potentially to be introduced for the food sector and phytosanitary regulations and checks will all come into play. The nature of UK divergence, particularly on the regulatory side, for the likes of the chemical sector and pharmaceuticals will have a big impact on how those trade routes and supply chains adjust in the coming months and years. It is not an easy picture.

On current Government supports, now is a good time to consider whether the supports that are in place are the most appropriate now that we are seeing the picture emerge of business impacts. Our latest all-island business monitor asked businesses about the supports they availed of but also the supports that they would like to see. It is quite a broad picture, which is mixed up with the impacts of Covid-19 as well as Brexit. Businesses are looking beyond the supports that are available from the likes of InterTradeIreland, the local enterprise offices, LEOs, and Enterprise Ireland. They are looking for bigger stimulus packages and support from the Government, they are looking at tax relief, infrastructure investment and investment in new areas of growth, in order that we can start to look beyond the immediate impacts of Brexit and Covid-19 to how we can help them to become more competitive in the longer term. A review is always helpful to ensure that we are on track with the right supports. I expect there will be need for some additional supports as businesses really come out of lockdown and Covid-19 and take on the full impact of all the changes in the trading environment.

Mr. Neil McDonnell: Quite a bit of ground was covered there. The no-notice extension of the grace period was viewed as a stay of execution by many businesses. We know the rules are going to change but we would appreciate some certainty on when that is going to happen.

On the trade figures, given today's focus, my emphasis was on the import side but Irish SMEs are also disproportionately dependent on the UK on the export side. Small businesses

in the Republic exporting will go to Northern Ireland first, and GB second. The trade patterns for large companies are much more east-west. I would have to check the figures but the United States is as big as Europe. Our big businesses export more to the Continent than to the UK. It is our sector which is disproportionately affected here. It is difficult to generalise but the types of trade in which they are engaged are characterised by lower margins. If costs of administration, distribution and transport etc. are altered by a few percent, that can alter the viability of certain trades. On Covid supports, I refer the committee to the article in the newspapers last week about the EU figures on state supports. Our employee and unemployment supports are relatively good in the Republic, but our direct supports to business are the lowest in the EU. We are below Croatia. If we correct for the GDP factor, we still do not get higher than the lowest state supports in the EU, which are in Croatia. This is where confidence and sentiment come into play. We heard much talk last week of the lockdown being extended. A huge amount of what people are going to do in terms of spending decisions, holidaying at home decisions and so on are based on what they see happening in the economy. If the Government does not provide for a structured easing of the lockdown and set targets for getting to level 4 and then level 3 once we reach certain infection rates per 100,000, substantial sectors of the SME demography are not going to survive. I echo Ms Curran's point that we are going to need direct supports to business in addition to the wage supports to employees and supports for the unemployed. Otherwise, there will be a significant amount of mortality in the SME sector.

Chairman: Would Mr. Roche like to comment?

Mr. Damien Roche: On the land bridge situation, following this meeting I will join a shipping line conference call. One of the quotes I heard from one of its sales personnel is, "The route out of Rosslare on one of the ferry lines [I will not mention which one] is on a life support machine." That is how slow movement is from Ireland directly to Europe. The volume being transported via the UK over the land bridge is not happening and it is still not enough capacity to bypass the UK. In response to us getting goods to Northern Ireland, Border Force is giving free transit guarantees from Pembroke-Fishguard-Holyhead to get us into Rosslare and up to the North, but when we are in the North we might have to go to Belfast Port even though the delivery point might be before Belfast Port. The transit guarantee that is implemented by Revenue and the cost of implementing that for small and medium sized businesses, and even big businesses, are not practical. They are not interested. They are trying to push the haulage industry to circumvent the UK completely. In terms of what needs to be done to help save the UK-Ireland ferry services, we need to try to get some of the shipments that are going onto mainland Europe to go back through the land bridge. We need to come up with a solution that includes a transit guarantee to get from Ireland via the UK and into mainland Europe that is not so cost prohibitive. This is what everyone is trying to drive through Rosslare into Cherbourg. There are shipments coming from mainland Germany to Cherbourg to access Rosslare. That has never been heard of. Nobody should have to do that, but that is what is happening.

The shipping line services that are helping UK-Ireland traffic and European business moving through the land bridge are dramatically down and there are not enough ferries to get goods from Ireland directly onto mainland Europe. The shipping lines are feeling the pinch in that regard. One of the shipping lines is down to one round trip per day when previously it was doing two round trips per day. That is how much volumes have dropped. We need to come up with a solution for the land bridge system and how we can make it more cost-effective and for Revenue or the Government to come up with a solution to guarantee vehicles going on the mainland of Europe while also ensuring they are not caught up in Dover having put all of this in place. There is no point in us being caught up in Dover like everybody else. I do not know

how quick that system is working but from an Irish point of view, one local haulier in Wexford has not used Rosslare-Fishguard or Rosslare-Pembroke since 1 January. He has moved every trailer onto mainland Europe, up as far as Denmark. He is shipping out of Cherbourg. The Irish exporter suffers the cost in that regard because the haulier has to pass it back.

Chairman: That is pretty stark information Mr. Roche has passed on to the committee. We appreciate that. Discussions around the land bridge would have been intense and very regular in the run-up to Brexit. We would have anticipated some changes. People are obviously voting with their feet and they are moving, but the cost has to go somewhere.

That brings us to the end of our first session. On behalf of the committee, I thank all four witnesses, namely, Mr. McDonnell, Mr. Nelson, Ms Curran and Mr. Roche, for taking the time this afternoon to participate in our meeting. I assure them that the information we received this afternoon and the conversation we have had will form a significant part of our interim report. We will certainly make the witnesses' views known to the Revenue Commissioners and the Government in terms of practical solutions we should surely be able to find to make things a little smoother and easier for our businesses and those operating across the island. We shall briefly go into private session before proceeding to session 2.

The joint committee went into private session at 4.05 p.m. and resumed in public session at 4.06 p.m.

Chairman: This is our second session of the afternoon to discuss the impact of Brexit on the business sector. Our witnesses are Mr. Aodhán Connolly, director of the Northern Ireland Retail Consortium, NIRC, and Mr. Stuart Anderson, senior policy adviser with the Confederation of British Industry. I invite them to make their opening statements, beginning with Mr. Connolly.

Mr. Aodhán Connolly: Gabhaim buíochas leis an gCathaoirleach agus le baill an choiste. Táim fíorbhuíoch as an seans seo fianaise a thabhairt dóibh ar an mBreathimeacht agus an dóigh ina bhfuil sé ag cur isteach ar an earnáil gnó anseo sa Tuaisceart. I am very grateful for this opportunity to talk to the members. I appreciate their interest in how the protocol and Brexit are affecting the North. I have two hats today. First, I am the director of NIRC, as the Chairman has mentioned, and second, I am the convenor of the Northern Ireland Business Brexit Working Group, which was set up in December 2019 to work to find common business positions and amendments to the withdrawal agreement Bill that was going through Parliament at that time and to push forward regarding the protocol and the withdrawal agreement. Since then, we have given evidence in Europe, Scotland, Westminster and, now, Dublin. We have produced research papers to find the challenges and possible solutions, and we have met everyone from Vice-President Šefčovič and Mr. Michael Gove to the Irish Minister for Foreign Affairs and the Taoiseach. Therefore, we bring a wealth of experience to the table.

A lot has been said about the protocol since 1 January, and even before then. There are those who have said there are absolutely no problems at all and there are those who have said Northern Ireland was starving owing to empty shelves. Both of those narratives are inaccurate and false and they do a great disservice to the men and women in retail and logistics who have worked non-stop to make sure goods kept moving. The truth is that the average supermarket carries around 40,000 to 50,000 product lines and there were only ever a few hundred products missing. That is a choice issue, not a food shortage issue. It was not just because of the protocol. There were seven days during which EU-GB trade was stopped because of Covid. There was a knock-on effect. We were also in lockdown, which meant people were not eating out or

going to cafés and restaurants. That means there was more pressure on the supermarkets. In January and February, it is not unheard of that we run out of products quite simply because, at that time of the year, about 65% of all fresh fruit and vegetables, including 90% of lettuce and 80% of tomatoes, are bought from the EU. It is outside the growing season so it is not unheard of for us to have those problems.

There have been challenges. There are customs forms to fill in for each one of those 50,000 items that are on shelves. We are not yet back at capacity because a lot of Northern Irish retail is still under lockdown and not open. That is quite worrying and more pressure is going to be put on.

The export health certificates came in on 22 February for those things on the prohibited and restricted list, such as chilled fresh meat products. That showed us that there was a real problem coming down the tracks from 1 April. The agreement between Vice President Šefčovič and Michael Gove outlining the grace period and the system that would be in place was signed on 8 December. We wrote to them on 10 December thanking them but stating that was not going to be enough time. For us, the principle of the grace period was that it would be in place until a system was in place. That system is not in place and, therefore, we still needed a grace period. That decision was taken unilaterally by the UK Government. We are of the opinion that it should have been taken bilaterally. Representatives of supermarkets wrote to Michael Gove on 22 January. We had conversations a few days before the meeting of the joint committee with both Vice President Šefčovič and Michael Gove where we explained the need for the extension of the grace period not only on sanitary and phytosanitary, SPS, products but also on parcels. We felt that we had been listened to and were hugely disappointed that no agreement emerged from the joint committee, seemingly for political reasons. That is the big problem we have had here. This has been a political process when it should have been a technical one. Last year, we had a transition period which was a complete misnomer. It was a protracted negotiation period. We, in business, only found out 18 hours before the end of the transition period what the new regulations for parcels would be. We only found out two weeks before the end of the transition period how to use the new systems. We only found out three weeks beforehand what those grace periods would mean. The business sector is not a light switch. It needs time to adapt and make changes.

The unilateral decision was made on a Wednesday and on the following Friday, retailers were going to have to take some severe decisions that would affect the supply chain of groceries in the North. There was a breakdown somewhere in the politics of this. The business community has, from the very start, used, as the Europeans say, *meilleurs efforts*, best endeavours, to try to make this work. When the protocol came out, we said that the Prime Minister had not listened to the Northern Ireland business community or the wider community in the North. We are now trying to make it work because it is in law. There will be opportunities in the future but what we are trying to do now is to make sure that our baseline, which is to give Northern Irish consumers, households and families choice and affordability, remains our primary concern in all of this.

There are those who have been questioning the UK Government. People who know me know that I shoot straight from the hip. If something is going badly, I will be the first person to say it and if something is going well, I will also be the first person to say it. I was very critical of the UK Government and its engagement last year, especially in the context of HM Revenue and Customs, bays and those different areas that really needed to step up to the mark. The UK Government is now throwing the kitchen sink at it and looking at how to solve these problems.

What we need are four things. We have the stability if we get the good grace from the EU to allow those extensions to the grace period to stand. We need the certainty that comes from a long-term, workable solution that is delivered with business and not done to business. We need simplifications, such as the digital assistance scheme. That digitisation allows us to give evidence to the EU to show that, because of the dead-end host principle, things that go into the North are not going to go any further and are of little risk. We also need to consider simplifications such as a veterinary agreement, but again that falls into the role of politics. What we can say, however, is that a veterinary agreement would make things a lot easier. It all has to be done under the guise of affordability. That involves holding the EU and UK to their commitments under the protocol. It was said all this will be done with the least disruption to communities across Northern Ireland, and that means keeping Northern Ireland business competitive and keeping costs down for Northern Ireland households.

Chairman: I thank Mr. Connolly for that comprehensive opening statement. I invite Mr. Anderson to make his statement.

Mr. Stuart Anderson: I thank the Chairman and committee members for having us both today. By way of introduction, I am the senior policy adviser for the Confederation of British Industry, CBI, in Northern Ireland. I lead on all matters related to the Northern Ireland protocol and on the wider trade implications of Brexit that are peculiar to Northern Ireland.

I appreciate that Mr. Connolly has spent some time outlining the position of the Northern Ireland Business Brexit Working Group. CBI is a part of that group. There are more than 12 trade bodies and business organisations that very much agree with and are in accord with the high-level messages. Today I am content to speak to the wider generalities and wider issues we face concerning trade in and through Northern Ireland since the transition period ended, but I want our conversation today to focus on the mutual recognition of professional qualifications across the common travel area. Given the complexity of the implementation of the protocol and the wider trade and co-operation agreement, TCA, I want to put on record on behalf of CBI its appreciation for the work this committee has done on continuing to examine the outworkings of the UK's exit from the EU.

Much is like what Mr. Connolly has said in that, as we approach 100 days into the new arrangements, our members report that trade has been moving reasonably well and those concerned are increasingly getting to grips with the new administrative requirements. It is important, however, that we acknowledge the efforts and work at all ends of the supply chain in the business sector, particularly over the Christmas period and against the background of Covid and the absence of a universal implementation period, to keep goods moving and to keep them moving reasonably well. That is a credit to everybody involved in the process.

I acknowledge, much as Mr. Connolly did, that the protocol was a political compromise with economic consequences. It is not perfect, which we acknowledge, but its drafting is such that there is a dynamic framework. That has to be given time to bed in. Time has to be given to understand the implications as and when they arise and to sort them in conjunction with business at the relevant times. I appreciate this formed part of the earlier discussion but we have seen there have been economic benefits across the island of Ireland in terms of trade, already demonstrated through the CSO figures, with imports to Northern Ireland from the Republic up 10%. Exports were up 17% in the month of January alone. That said, the protocol acknowledges Northern Ireland's place within the UK internal market and the importance of Great Britain and Northern Ireland's largest market. There have been challenges, especially with getting to grips with the at-risk test and how that interacts with the new rules of origin agreed in the trade

and co-operation agreement and the various customs administration and regulatory burdens our businesses now face and to which they are trying to adapt. This is, of course, much better than a disorderly withdrawal, which should be acknowledged, but now is the time to focus on the solutions to the well-documented challenges and the barriers we face with Great Britain. I will be happy to talk through those in due course.

I want to put on the record today the implications for Northern Ireland of leaving the Single Market for services that are perhaps a little less well understood. To that end, I wish to focus on the specific issue of the ability of British and Irish professionals to exercise their right to work across the common travel area following the end of transition. While we acknowledge that the protocol does protect the free movement of goods across the island of Ireland, it also seeks to uphold the common travel area, CTA, and to maintain the conditions necessary to support North-South co-operation. That is strand two of the Good Friday Agreement. These obligations are important when considering the limitations of the TCA in respect of the mutual recognition of professional qualifications, MRPQ. From installing equipment or clearing asbestos to providing professional advice or mending plane wings, many individuals who provide services by law or regulation require specific qualifications. For individuals to operate across on a cross-Border basis, either permanent establishment or temporary work, these qualifications must be recognised by national authorities.

Up until the end of transition, under free movement of services, British and Irish professionals benefited from an EU system of preferential recognition of qualifications, which simplified the process for professionals moving between member states on both a temporary and permanent basis. In many cases, the right of recognition was automatic. As a result, doctors, accountants, engineers, hauliers and up to 120 regulated professions have been able to exercise the rights to not just live but also exercise their chosen profession across any part of the CTA. However, the TCA has its shortcomings in this area because it does not support the continuation of MRPQ between the EU and the UK. Instead it provides a pathway for a regulator to regulate recognition in arrangements that mirror EU trade deals with the likes of Canada and Japan. It is important to note that neither of these countries has produced a mutual recognition agreement to date.

So what does this mean for MRPQ across the all-island economy and, more widely, the UK and Ireland. For the EU, the Commission's notice to stakeholders provides that UK nationals will be third-country nationals. As a result, the framework no longer applies to them. Recognition of professional qualifications of UK citizens in member states, including Ireland, will therefore be governed by the national policies and rules of that member state. As a result, we can foresee a myriad of bilaterals appearing over time between UK regulatory and professional bodies and their counterparts in other EU member states.

Meanwhile, the UK Government has implemented a temporary process for the recognition of professional qualifications of EEA and Swiss professionals, although this is not as comprehensive as the system that existed under the EU framework. Under this interim process, from 1 January 2021, UK regulatory bodies are obligated to consider applications for recognition from holders of EEA and Swiss professional qualifications but are only obligated to grant recognition to qualifications that are comparable with UK qualification requirements and standards in scope, level and content.

It should be acknowledged that the UK and Irish Governments have put a considerable amount of effort into encouraging regulators to regulate arrangements. In particular, the UK Department for Business, Energy and Industrial Strategy, BEIS, has established a team to sup-

port and facilitate individual regulators in addressing the issues that have arisen with regard to MRPQ post-transition. A key driver of this is the acknowledgement in the memorandum of understanding underpinning the CTA signed up to by the UK and Irish Governments in 2019 that both governments acknowledge that MRPQ is an essential facilitator of the right to work across both jurisdictions. As a result, many of our regulated professions have in place arrangements for the continuation of mutual recognition, notwithstanding EU exit. It is our understanding that around ten arrangements on mutual recognition are in place currently between the respective regulators. However, as there are over 100 regulated professions in the UK, the crux of the issue and the reason we wanted to highlight it today is because we are concerned about a material risk of fragmentation over time. As such, we would like an overarching reciprocal framework to be developed and agreed between the UK and Ireland to allow professionals to benefit from a clear and consistent route to recognition across the common travel area, as was the case before the end of the transition period.

A final point relating to the provisions of the protocol is that Article 11 of the protocol refers to supporting North-South co-operation. The importance of the mutual recognition of professional qualifications, MRPQ, was recognised in the joint mapping exercise on North-South co-operation. There are no fewer than six references to MRPQ facilitating numerous areas of North-South co-operation, including transport, health and higher education. The issues relating to mutual recognition of professional qualifications are complex. As it has been an issue only since 1 January, it will take time to fully understand the implications. However, we do not believe these issues are insurmountable. Positive outcomes can be delivered with the appropriate political will.

Chairman: I thank Mr. Anderson. He touched on several key issues. The mutual recognition of professional qualifications is an issue the committee is keen to address. It has arisen for discussion at previous committee meetings. I thank Mr. Anderson for laying out where things are at and what needs to happen. It is another example of the practical impact of Brexit on the average citizen and businesses. These are issues that we can resolve if we put our heads to it. As we explained to Mr. Anderson and Mr. Connolly, part of the work of the committee is the presentation of our interim report before the summer recess in July. This issue will form part of that report, as will the other issues our guests raised in respect of trade on the island.

Senator Niall Ó Donnghaile: I thank both our guests. They have provided comprehensive and detailed presentations. Like everything in these scenarios, it is a bit of a moveable feast. There is a live dynamic to much of this, so it is really useful for the committee to get as broad a range of information as possible to help to shape and inform our report going forward, as the Chairman referenced.

Several of the final points in Mr. Anderson's written submission relate to the need for a clear and consistent overarching framework to be agreed between both Governments with regard to the recognition of qualifications. He and I have discussed this issue previously. There are arrangements in place between some of the various professional bodies North and South, which is to be welcomed and it is to be hoped there can be more such initiatives. How does Mr. Anderson envisage an overarching framework best being achieved? Would it be delivered through the professional bodies themselves or through statutory and Government agencies? Does the CBI have a list, for example? Obviously, industry, technology, trade, training and everything else is bound to develop and grow in the next couple of years, so how best can it be ensured that this is as clean and coherent a process as possible? It is certainly my hope that the committee will agree that this is something to which we can lend our support in the future. What does

Mr. Anderson envisage as the best way to implement such a framework if it were to be agreed tomorrow?

Mr. Stuart Anderson: I thank the Senator for his interest in this particular subject. First, it is important to acknowledge that this is actually a citizens' rights issue, but one that has economic consequences. There was a framework in place that put specific obligations on regulators to recognise qualifications. Under the EU system, there was a framework and the regulators operated within it. What we have now is a system whereby the UK is considering its permanent long-term framework but has a temporary framework in place to recognise the qualifications of professionals from EEA states, including Ireland. The difficulty with this is that the likes of architects and other professions are agreeing mutual recognition arrangements among themselves. When I last spoke to BEIS, it understood that there were approximately ten memorandums of understanding or arrangements of some description in place between the various regulators in the UK and Ireland. What we would want is a reciprocal framework under a bilateral agreement. This was raised as an issue in the Chancellor of the Duchy of Lancaster's letter to Vice President Šefčovič, and it should feature in the discussions between the relevant policymakers, stakeholders and regulators. As the Senator acknowledged, issues like this are often market led. As such, we would want a framework that was clear so that, regardless of the profession, people would know that they would not be treated any differently than those in other professions. A reciprocal framework that places an obligation on regulators on both sides of the Border to recognise qualifications is missing. While it is great that there is ongoing regulator-to-regulator work, I am concerned that there will be fragmentation over time.

Senator Niall Ó Donnghaile: I will make a brief supplementary point. Mr. Anderson is right to locate this as being not only an economic and academic matter, but also an issue of citizens' rights. Consider the context of the Good Friday Agreement, strand two, everything else that has been agreed and Article 2 of the Constitution. This crazy situation affects someone from Dublin who attends Queens University Belfast to study and get a particular qualification before returning home and someone from Belfast who attends a college in Dublin, Cork or Galway before going home. It is not only another anomaly that has been presented by Brexit, but also a live predicament for a range of people that runs contrary to the spirit of many agreements, not just the one or two that we often cite in these discussions. It is important for us to remember that, while we have understandably and legitimately focused on the trade and economic aspects of this situation, it also infringes on our rights as citizens and to be part of the Irish nation and will affect others in future.

Chairman: I thank Senator Ó Donnghaile for putting those important points to the meeting.

Senator Malcolm Byrne: I agree with many of the concerns that Senator Ó Donnghaile expressed. It is an important issue for us to address.

I thank Mr. Connolly and Mr. Anderson for their contributions. I wish to ask two questions, the first of which is on co-operation in education. It is positive that students in the North will be allowed to continue to participate in Erasmus+, but we need to consider innovative approaches to cross-Border education and research co-operation. Would either witness wish to comment on this?

Given the potential impact of the recent decision in the UK budget to increase its corporation tax rate, should Northern Ireland operate a lower rate? Obviously, it is an attractive situation for the South, but the increase in the UK's rate will present a major issue for the economic dynamics on this island over the coming years. I would be interested in knowing the witnesses'

perspectives on this matter.

Chairman: The Senator has thrown the cat among the pigeons. I will ask Mr. Connolly to reply first, then Mr. Anderson.

Mr. Aodhán Connolly: Anything that enables people under the spirit of the Good Friday Agreement and the common travel area to continue to have education opportunities North and South is very welcome, not only for the young people who would be involved but also for business as it grows the skills pool on the island.

Corporation tax is the real hot potato. At the time of the referendum and after, there was much discussion about the VAT rate - and there was only 3% difference - and what it would mean between something that was a luxury that was VAT rateable in food and something that was not. That 3% was seen as a significant margin. Were the rate of corporation tax to increase in the way the Chancellor has outlined, the rate in Northern Ireland would be double that in the South. For retail, my sector, corporation tax has been something of a red herring. Many people have looked at it as a panacea whereas we have been concentrating on the taxes we actually have power over in the North, specifically business rates. For every £1 we spend on corporation tax, we spend £2.57 in business rates and we still have not fixed that. However, looking at the protocol opportunities and our having access to both the UK and EU markets, for that to work and for us to have that growth, we will have to attract foreign direct investment. That is more likely to come to somewhere where there is a lower corporation tax. It is problematic, to say the least, that there will be a huge disparity and it undermines some of the possible advantages. How that works out in the longer term will have to be decided by people with greater brains than me but the clock is ticking down and in two years' time, there could be a disparity of double the co-operation tax rate and that will cause problems.

Mr. Stuart Anderson: On education, we welcome two parts of this, namely, the continued access to the Horizon programme and to Erasmus. It is excellent for research and development and for the students on the island of Ireland themselves, as well as for how universities in the North can market themselves as a place to study and conduct research.

On corporation tax, the historical context is important. In 2015, in the Fresh Start agreement, the Executive parties agreed to lower the corporation tax rate and those powers were devolved. Things have changed since then; it predated the Brexit referendum. It was less of an issue when the UK Government was heading in a certain direction on the corporation tax rate, that is, towards 17% and the differential was narrower. The budget decision has reopened the debate. As far as our line is concerned, we are discussing this with members. Our request to the Northern Ireland Executive would be that it should re-examine Northern Ireland's competitiveness as it looks at its position on the global trading floor. As Mr. Connolly will confirm, we do speak to people, to investors, who are looking at Northern Ireland as a place to invest because of the protocol. Despite the challenges we have had, I am aware of conversations that have taken place discussing the advantages. Were the corporation tax brought into line with that of Ireland, it potentially would be a unique selling point. However, it should not be considered in isolation. We seriously need to address issues such as skills in Northern Ireland. However, it is not a case of one or the other but both ought to be considered in the round whenever we are talking about offering Northern Ireland as a place to invest.

Senator Robbie Gallagher: I thank Mr. Anderson and Mr. Connolly for their contributions, which I found very interesting. Touching on where Mr. Anderson left off and where I would like to have come in, there is the idea now that Northern Ireland is in a unique position

in that it can trade unencumbered with the EU and with global markets in order that there is a foot in each camp, if I may use that expression. Has there been much talk about that in Northern Ireland? Is there any space currently, given the political situation with the Assembly, for that conversation to take place? Mr. Anderson said there is probably a body of work to be done to see what the potential is. One would think on the face of it, and I am no expert, that Northern Ireland is in a unique position to cash in, if you like, on its current position as to whom it can trade with unencumbered. Regarding what Mr. Anderson said earlier and what the two earlier witnesses mentioned, and as the Chairman outlined in her earlier contribution, we all knew, and it was the eleventh hour before it kicked in, that there would always be teething problems with the way Brexit happened and it would always take time to sort these issues out, be it on mutual qualifications or whatever else. Politically, one would imagine one needs political unity, if I may use that expression loosely, in the Assembly to try to sort all these matters out.

My question across both topics is this: how much of an obstacle is the current situation with the Assembly to trying to find a solution to all these issues and getting to a point at which everyone can get behind the wheel to push Northern Ireland out as a great hub in which to do business? How much do the witnesses see the current situation in the Assembly acting as an obstacle or roadblock to that?

Chairman: I will go to Mr. Anderson first this time and then to Mr. Connolly.

Mr. Stuart Anderson: I was hoping the Chairman would go to Mr. Connolly first, but that is no problem.

Chairman: Sorry about that.

Mr. Stuart Anderson: I thank Senator Gallagher for his question. Yes, it is a unique trading position but it is a unique trading position that was not designed with business and something that business is trying to make the most of. There are challenges in both directions. The GB to NI challenges are the ones we hear most about, but there is also the challenge that we cannot see markets in isolation. We have the market of the UK, the market of Europe and then our export markets as well, for example, Northern Ireland producers producing raw materials that are then manufactured in the Republic of Ireland and exported into the international markets. Those NI origin products no longer benefit from EU free trade agreements, FTAs, for example, so there is a challenge there in our access in the direction of the EU and then, obviously, as I mentioned, the challenges with GB.

That said, there are real opportunities. Certainly, Invest NI has been doing its job in trying to market Northern Ireland as a place in which to invest and has done a good job on that. Senator Gallagher touched on an issue that is a difficult one for business organisations because, ultimately, all we want to do is create a place where there is prosperity by trying to open up the trade routes in either direction in and out of Northern Ireland. Our sole focus has therefore been on trying to eradicate the barriers in either direction, and we understand the political challenges with that. I made this point at the start of my introductory remarks when I referred to the fact that the Northern Ireland Business Brexit Working Group has a very united message, and it is a united message for one reason: we want to be able not only to protect our businesses and our households but also to attract investment. The first thing is to try to avoid any risk of instability. I refer to that perception of instability. I spoke to a member of the Confederation of British Industry, CBI, approximately three weeks ago about a potential investor considering Northern Ireland as a place to set up in terms of the barrier free trade that was spoken about. The investor was put off by the perceived instability.

It is a message to business organisations to continue to do what they are trying to do and to everyone involved in the process to try to work as best they can to find the solutions to the challenges we face. It is a loss of potential job opportunities which could otherwise bring stability in the longer term in the framework we have.

Is it a unique opportunity that makes Northern Ireland a great place to invest? Yes, in some respects, but the challenges are not insignificant. Over the next few months, everybody has a job to do in terms of stability and in ensuring Northern Ireland is the place businesses want to invest in.

Mr. Aodhán Connolly: Dr. Mike Johnston, who is part of our Northern Ireland business Brexit working group, is constantly pushing to make sure that Northern Ireland dairy produce can be part of EU free trade agreements, FTAs, be processed in Ireland and go across.

Approximately 35% of all NI milk goes South for production into the wonderful cheeses and dairy products made in the South and then exported. Not being part of those EU FTAs is a huge market loss. It was promised at the start but seems to have petered out. If we want to get to the position where there are opportunities we need to have a foot in both camps and access to that market.

It is not working 100% in many places either. In Great Britain, millions were spent in the press towards the end of the transition period saying, “Get ready to trade with Europe”. Not one penny was spent saying, “Get ready to trade with Northern Ireland”. The EU did not do that either.

What we have seen is that some in Great Britain see going to Northern Ireland as too much hassle and uncertainty. However, going to the EU is similar. For bottle manufacturers sending things to Germany, they are getting one in every three loads sent back because they are not right and obligations are not understood. A wonderful fabric retailer on the north coast of Northern Ireland is sending things to Sweden which are being sent back because they are GB goods without customs forms. Whereas under the protocol there is openness and an ability to move goods without customs friction and checks because we are administering the Single Market and customs union rules. We need GB and the EU to not only educate people that business can be done but to promote Northern Ireland and help us to bounce back from the big economic shock we experienced at the end of the transition period.

Long before the business Brexit working group came about, people such as Mr. Stephen Kelly, Manufacturing NI, and Mr. Seamus Leheny, Logistics UK, and I had a public profile. We had that public profile because the Assembly was not sitting. We were standing up for business and households, pushing to keep choice and affordability and to keep business competitive.

We would like to see the Assembly present a united front. Ripples were felt across Europe when the First Minister and deputy First Minister stood together and wrote to the EU outlining the need for a grace period and a trusted trader scheme to keep the shelves stocked in Northern Ireland. We need to get into the same space again with a strong united voice asking for the best for our economy and households. We need to see that type of approach again, one where we hear a strong, united voice asking for what is best for our economy and households. We are not there yet but as much as business people are pragmatists and realists, we also have to be optimists, and we will continue to push for that.

Chairman: That was a nice positive note on which to finish.

Senator Joe O'Reilly: I welcome the witnesses. I endorse what my colleague, Senator Gallagher, said about the importance of ensuring the Northern economy benefits from every opportunity presented now. In that context, it is welcome that there was an increase in North-South trade in January, if I understood the presentation correctly. That is a good news story and hopefully it will continue.

I turn to the issue raised consistently and eloquently by Senator Ó Donnghaile. It concerns the mutual recognition of professional qualifications. I know Senator Ó Donnghaile asked a question on this issue but I missed some of it, so I ask the witnesses to understand if I repeat parts of it. I understand from the presentation that ten arrangements for the mutual recognition of professional qualifications have already been made and around 100 further such arrangements need to be put in place. As I understand it, the point made by the witnesses was that an overarching agreement between the two Governments is necessary to achieve and agree broadly on the mutual recognition of professional qualifications and ensure the position is no different from what it was pre-Brexit. That should not be insurmountable and unachievable.

It is my view that, as a committee, we should make this a keynote element of our report and pursue it very strongly. Meanwhile, the individual professional areas can continue making mutual recognition arrangements. However, I believe that if an overarching agreement would deliver recognition, moves should be made to achieve one. Have any moves already been made in this area and, if so, to what extent have they succeeded? If they have not succeeded, why is that the case? I would have expected this to be a major priority. I apologise if Senator Ó Donnghaile has already asked this question, but I missed part of his question.

Mr. Aodhán Connolly: I shall bow to the greater expertise of my colleague, Mr. Anderson.

Mr. Stuart Anderson: I thank the Senator for his questions. To answer his first question, from my most recent conversations with the UK Department for Business, Energy and Industrial Strategy, there are ten arrangements in place at this time, but most regulators are talking to one another and trying to plug the gaps on a regulator-to-regulator basis.

What we are calling for, as the Senator mentioned, is some form of bilateral agreement that is reciprocal. The question of the trade and co-operation agreement must then be brought in. Any bilateral agreement concluded would have to flex and respond to whatever agreements are in place between the UK and the EU at the wider level, because that framework is in place for regulator-to-regulator recognition between the UK and the EU. I did not mention in my initial comments that there are a number of areas where there is a challenge. One which persists is that the recognition of a qualification is contingent upon, for example, a professional having residency in Ireland. For the likes of transport managers, the certificate of professional competence qualification is dependent upon their residence in Ireland. As a result of that, there are some peculiar challenges that we face along the way. As to the suggestion that we would be able to put something in place that reflects overall what existed before the end of the transition period, that is not something I would envisage. However, we can go a significant way down that road.

Chairman: I have a question. I was quite struck by Mr. Connolly's opening comments on the narrative or the commentary around the shelves being bare in Northern Ireland, there being no stock coming in, and that that was not a true reflection from his and his organisation's perspective. That is the first I have heard on that side of things, and it is good to get that perspective. As to the difficulties being experienced, and I pose this question to both Mr. Connolly and Mr. Anderson, the Northern Ireland protocol is so important and both witnesses have touched upon the fact, and I have made my own personal views clear on this, that it presents a significant

opportunity for Northern Ireland because it gets access to both the GB and the European markets. This does not happen anywhere else and there is an opportunity there. I was heartened to hear from Mr. Anderson that he has been having conversations about businesses which want to invest in Northern Ireland because of that market environment. We have had presentations to this committee where, for example, the Economic and Social Research Institute made the point that if there is continuing uncertainty around the future of the protocol, businesses may be reluctant to invest initially because they are not quite sure if the protocol will remain in place for the foreseeable future. What are our witnesses' thoughts on that particular comment on the need to provide some certainty on the future of the protocol and perhaps reassure potential investing businesses that it will be there for future?

That brings me to a linked question which touches upon by Mr. Connolly's comments around the importation of goods and the ease of importing from Great Britain into Northern Ireland. It is really important to communities in Northern Ireland that the trade and access between GB and Northern Ireland is maintained and there are no significant impediments to trade. Are those challenges Mr. Connolly mentioned still there to the same extent and are businesses working through that? Was that part of the bedding-in period or teething problems for the first few weeks? Does he think businesses have now got to grips with that, the shelves are back to where they need to be, and there is not a significant problem with goods getting in? These are the kinds of problems which, if we do not address them, could have a knock-on impact on the protocol. We need to take these criticisms and concerns very seriously and ensure we address concerns raised by all communities in the North to protect the protocol in the long term to the benefit of everybody.

I ask either Mr. Anderson or Mr. Connolly to deal with those points please, as they wish. They may also wish to make some closing remarks as we will be wrapping up on the hour as we are not permitted to be in the room beyond the two-hour mark. I thank our witnesses.

Mr. Aodhán Connolly: I will try to respond quickly. The biggest thing that has taken up most of my time for these past few years has been shooting the unicorns of false narratives, as the Chairman has just said there, about shelves being completely empty. There were challenges but they were not just because of the protocol. In the same way people shouted about GATT 24, that we could go out with no deal and everything would be just fine, our main role in this, as a business community and as the Northern Ireland Business Brexit Working Group, has been to explain to people what the challenges and opportunities are and what the reality is. That is the best thing we can do. It takes a lot of time, energy and talking to different people to understand the pressures on individual sectors.

There are still some challenges and people still need to adapt. On 22 February we saw export health certificates coming in for those things on the prohibited and restricted list. That continues to be a challenge, as do the customs inputs that have to be done for hundreds of thousands of products. They were always going to be a challenge. Are we better off than we were? Yes, people are adapting and we are seeing things like the groupage system, which has come online. There are still some teething problems because it took a few weeks to get that up and running. It was not ready on 1 January and we are getting there with it as well.

We have a limited period now to get to the new normal. We have until 1 October, and 1 November for parcels, to get a new system in place. What we need - it is very simple - is for the EU to work with us to allow the grace periods to happen, for the UK to work with us to look at those milestones and those technical solutions, and for both of them to talk to us and to continue to listen and work with us to deliver a system that removes friction and allows us to keep North-

ern Ireland business competitive, with choice and affordability for Northern Ireland households.

Chairman: Does Mr. Anderson wish to come in on that?

Mr. Stuart Anderson: I will not take much time. The number one challenge we have been experiencing since the end of the transition relates to getting our heads around the complexity of trading through Northern Ireland. While some of that is teething problems or relates to getting over the challenges of having no implementation period, there are substantive challenges, some of which Mr. Connolly outlined and others that are with the at-risk test such as how broad is the definition of processing within Article 5 of the protocol. That is causing significant problems for some of our manufacturers, which are being hit with tariffs even though some of their products will not, in reality, go into the EU. That is a difficulty we need to address and work through, and much work we have been doing collectively and individually is to examine those challenges and try to find solutions. Business adapts and finds a way to work around it, and groupage is a good example of solutions that were worked through, co-designed and co-ordinated between business and government. Hopefully, that model will be something we can continue to roll out as we work through the substantive challenges.

Nevertheless, I agree with the sentiment. We have a new arrangement and it is now up to business, with government and all the relevant policymakers, to try to make it work and deliver both for houses and for businesses, with peace and prosperity for Northern Ireland going forward.

Chairman: That brings to a conclusion our second session. On behalf of the committee, I thank Mr. Connolly and Mr. Anderson for making themselves available. It was an insightful and helpful discussion and they have both given us much to think about, with a great deal of material to include in our interim report to be published before the summer. I thank members for their engagement.

Our next public meeting will take place at 3 p.m. on Monday, 29 March, in Committee Room 3, at which representatives of Enterprise Ireland will be our guest speakers.

The select committee adjourned at 5.02 p.m. until 3 p.m. on Monday, 29 March 2021.