

business's current approach to meeting these requirements. These costs may be passed through to businesses in Northern Ireland.

274. For goods subject to harmonised EU rules, such as chemicals, toys, and construction products, manufacturers would only incur additional product testing costs if products supplied to Northern Ireland were not also supplied to the EU. If the product is supplied to the EU, the same processes and documentation would be used to comply with the single regulatory zone. Data on the number of businesses in Great Britain which supply goods to Northern Ireland but not the EU is not available.
275. For goods not subject to EU harmonised rules, UK rules would continue to apply in Northern Ireland, so they would face no further costs than they do today in relation to compliance activity.
276. Businesses in Great Britain may need to move certain regulatory functions to Northern Ireland or another EU member state, for which they would incur a one-off cost.
277. Under the Northern Ireland Protocol, EU legislation relating to market surveillance will apply in Northern Ireland, meaning UK market surveillance authorities will conduct risk-based checks on an 'adequate scale', on goods entering Northern Ireland from Great Britain. This approach means that not all goods are checked, and instead checks are prioritised on shipments with the highest risk of non-compliance. Though some documentary checks could take place whilst the goods were in transit, physical checks would have to take place in a controlled environment at the point of entry.
278. Businesses in Northern Ireland purchasing from Great Britain would bear the time cost of any regulatory checks at the point of entry if their consignments are selected for a check. Businesses may be able to plan for this time, but unexpected inefficiencies in the system, or accidental non-compliance due to businesses' initial unfamiliarity, could result in delays and potential for disruption to supply chains. Any delays are likely to be minimal so resulting additional costs on businesses in Great Britain selling to Northern Ireland are assumed to be minimal.
279. All of the associated costs are uncertain and dependent on future decisions on domestic regulatory policy and the EU's future acquis. Future regulatory costs will also depend on the UK's future relationship with the EU, which is out of scope of this IA.
280. In a no deal scenario there would be no additional regulatory costs for businesses moving manufactured goods from Great Britain to Northern Ireland compared to current arrangements. The protocol would result in additional costs as described above.

4.5.4.3 North-South

281. The creation of an all-island regulatory zone on the island of Ireland, covering sanitary and phytosanitary (SPS), agri-food rules and manufactured goods will prevent the need to introduce regulatory checks on goods between Northern Ireland and Ireland. The Protocol would therefore not create any additional costs due to regulatory checks on businesses in Northern Ireland compared to current arrangements. There could be some small costs to businesses in Northern Ireland selling goods not subject to EU harmonised rules to Ireland, as they would have to adapt the goods to meet requirements in Ireland or another EU member state.
282. In a no deal scenario, EU tariff and non-tariff requirements, including regulatory and legal requirements, will apply to UK exports crossing the land border from Northern Ireland into

Ireland. The Protocol represents a benefit relative to a no deal scenario by ensuring that regulatory checks are not required.

5. Provisions for Parliamentary oversight

283. The government has been clear that Parliament should have a significant role in shaping the second phase of negotiations with the EU. The Bill legislates for this commitment, including provisions that will require: a vote on Government's negotiating objectives, regular reporting from Government on the progress of negotiations, and a vote on the resultant agreements.

5.1 Role of Parliament on the Future Relationship

284. The government will be under a duty to make a statement on the objectives of negotiations on the future UK-EU relationship which is then put to the House of Commons. If approval is not given on the motion, the negotiations for the second phase cannot begin. This gives Parliament a clear and unambiguous role in establishing the objectives for those negotiations. Any statement made on negotiating objectives must align to the Political Declaration of 17 October 2019.
285. During the negotiations, Ministers will be under an ongoing duty to seek to achieve the objectives set out in that statement. The Government may revise the statement on objectives at any time, but must put the revised statement to Parliament for approval before the Government can negotiate on the basis of it.
286. The Government will also be under an obligation to report on its progress towards objectives. This reporting provision requires the Government to make a statement to Parliament at the end of every three month reporting period on progress towards achieving its negotiating objectives.
287. The final aspect of this provision ensures that Parliament has the final approval on any treaty that has been negotiated between the UK and the EU.
288. The impact of these provisions will depend on the outcome of parliamentary proceedings and the subsequent negotiations with the EU.

5.2 Parliamentary sovereignty

289. A clause recognising the sovereignty of the UK Parliament. It has no economic impact on the UK.

5.3 Joint Committee

290. The Bill legislates for ministerial oversight of Joint Committee meetings to be established between the UK and the EU post-exit. The legislation will require that a Minister must attend meetings of the Joint Committee. The impact of this provision will depend on the decisions made in the Joint Committee.

5.4 Provisions on workers' rights

291. The Bill includes provisions on workers' rights intended to protect and strengthen rights where the UK Parliament believes it is in the UK's best interest.
292. The legislation will both require the Government to make a statement of non-regression whenever introducing a Bill related to worker's rights and give Parliament an opportunity to consider new EU workers' rights legislation.

293. The impact of this provision will contribute to ensuring worker’s rights are protected after the UK leaves the EU, but the costs and benefits are not known because the legislation on which the Government would make a statement of non-regression does not yet exist.

5.5 Summary of costs and benefits of Parliamentary oversight of progress towards the future relationship

Impact	Costs (£m)	Benefits (£m)	Treatment in this IA
Role of Parliament on the Future Relationship	Non-monetised	Non-monetised	This impact is not included in the NPV, as it is dependent on the outcome of Parliamentary proceedings and subsequent negotiations with the EU.
Parliamentary sovereignty	Non-monetised	Non-monetised	This impact is not included in the NPV, as it cannot be monetised.
Joint Committee	Non-monetised	Non-monetised	This impact is not included in the NPV, as it is dependent on the outcome of decisions made by the Committee.
Provisions on workers’ rights	Non-monetised	Non-monetised	This impact is not included in the NPV, as it cannot be monetised. The legislation on which the Government would make a statement on non-regression does not yet exist.

Grey boxes denote where the impact is not included in the NPV.

6. Risks

294. Potential economic risks associated with the proposals could include reduced trade, business investment and consumer spending due to uncertainty and divergence in regulation within the United Kingdom. These risks could be mitigated through government action to support businesses and their operating environment.

295. An increase in uncertainty associated with the UK’s regulatory or customs position with the EU could affect the business environment and consumer confidence. The costs of new checks and administration associated with the Ireland/Northern Ireland Protocol may affect the profitability of businesses trading to and from NI. Uncertainty may also affect business investment by reducing the incentive for businesses to invest in the UK. Finally, given uncertainty around price changes, or the UK’s and NI’s relationship with the EU, consumers may decide to delay spending, reducing consumer demand for goods and services.

7. Wider impacts

296. Beyond the direct costs to business, these proposals will have distributional effects, which include impacts on small and micro businesses (SMBs), consumers, equality, rural issues and families. There are also costs to the public sector.

7.1 Small and Micro Business Assessment (SaMBA)

297. Where the proposals in this Bill have an impact on business, that impact will affect all businesses whose activity is in some way regulated or affected at present by EU law, irrespective of the business's size. A micro (up to 10 employees) or small (up to 50 employees) business might find it more difficult to adapt to any changes brought forward under the power in the Bill simply because of the business' size. But there is nothing in these proposals that applies specifically to small or micro businesses as distinct from other sizes of business.
298. Specifically considering the costs for intellectual property rights holders on Small and Micro businesses is not possible, as the IPO is currently unable to disaggregate its client group by business size for the relevant right. This is something the IPO aims to be able to do in future.
299. In addition, the European Union (Withdrawal Agreement) Bill is not intended to bring in substantive new policy in relation to the treatment of smaller businesses (or any other area). Trying to do so at this time might reduce the benefits of stability and certainty that the Bill is intended to bring.
300. However, the Northern Ireland Protocol more generally does affect small and micro businesses in Northern Ireland.
301. This assessment considers the costs and benefits for small and micro businesses in the UK as a result of the Northern Ireland Protocol.
302. The proposals will have an effect on all UK businesses that move goods between Great Britain and Northern Ireland, irrespective of the business's size. Economic theory suggests that a 'one size fits all' approach for business trade requirements is likely to have a disproportionate effect on SMBs in particular. There would be both fixed and variable costs for firms as a consequence of the Protocol, consequently these costs are likely to be a larger proportion of SMBs' operating costs and therefore disproportionately affect them compared with large and medium businesses. It is worth noting that a business' size by number of employees is not necessarily indicative of its ability to adapt to and absorb additional costs, but it can be used as a proxy. Small businesses are usually defined as having between 10-49 employees and micro businesses between 0-9.
303. There is currently no data available on SMBs in Great Britain moving their goods to Northern Ireland, so this section principally focuses on what is known about SMBs in Northern Ireland. Not all businesses in Northern Ireland are covered by the Broad Economy Sales and Exports Statistics survey (BESES), which is the best source of information on the number of businesses which trade outside of Northern Ireland. There were almost 66,000 registered SMBs in Northern Ireland in 2017, accounting for over 98% of all registered businesses.⁹⁰ Of these, almost 53,000 SMBs are covered by the BESES survey.⁹¹

⁹⁰ ['Business Population Estimates 2017'](#), BEIS, October 2019

⁹¹ ['Northern Ireland Broad Economy Sales and Exports Statistics: background information'](#), NISRA, May 2018.

304. To be registered, a business must be in scope of the VAT threshold of £85,000 or PAYE registered. If businesses do not meet either of these requirements they are not required to register. There are an estimated over 53,000 unregistered businesses in Northern Ireland.⁹² All of these are SMBs and an unknown number of them sell or purchase goods from outside of Northern Ireland.

⁹² ['Business Population Estimates 2019'](#), BEIS, October 2019

Table 9: Number of registered businesses covered by the BESES survey and number of businesses selling and buying from Great Britain and Ireland, Northern Ireland, 2017⁹³

	Covered by BESES survey	Purchasing from		Selling to	
		GB	Ireland	GB	Ireland
Micro: 0-9 employees	44,071	10,538	4,303	5,363	5,681
Small: 10-49 employees	8,558	3,649	2,023	1,827	2,448
TOTAL SMALL AND MICRO (SMBs) (<50)	52,629	14,187	6,327	7,190	8,129
Medium: 50-249 employees	1,299	729	494	445	454
Large: 250+ employees	319	218	113	169	106
TOTAL	54,247	15,134	6,934	7,804	8,689

305. Not all of the SMBs in Table 9 will be directly affected by the changes set out in this IA. Those businesses that trade with either Great Britain could be subject to additional costs relative to current arrangements, and some firms which do not trade could be affected by increased costs passed through their supply chain. Definitive data on the number of businesses, either registered or unregistered, that buy or sell goods from or to Great Britain and Ireland is not available. However, data from BESES estimates that, for goods and services:

- Almost 5,700 Northern Ireland micro businesses export to, and around 4,300 import from, Ireland. Over 2,400 Northern Ireland small businesses export to, and around 2,000 import from Ireland.
- Over 5,300 Northern Ireland micro businesses sell goods and services to, and over 10,500 purchase goods and services from Great Britain. Over 1,800 Northern Ireland small businesses sell to and over 3,600 purchase from Great Britain.⁹⁴

306. As noted above, these BESES estimates do not include all industry sectors or any unregistered businesses, therefore these figures are most likely to be an underestimate of the number of traders which buy and sell goods from or to Great Britain or Northern Ireland. However, this is the best data available for the number of Northern Ireland SMBs that are involved in trade with Ireland and Great Britain. Furthermore, it is not possible to determine the *total* number of SMBs affected as categorisation is not mutually exclusive, this is because the data categorises businesses under multiple export and import populations. Businesses could be selling and purchasing from Great Britain and/or Ireland and therefore appear in several counts, which makes it difficult to determine a robust estimate of the number of Northern Ireland SMBs directly affected by the protocol.

⁹³ [‘Northern Ireland Broad Economy Sales 2017’](#), NISRA, ad hoc query October 2019.

⁹⁴ [‘Broad Economy Sales and Exports Statistics 2017’](#), NISRA, December 2018 and ad hoc query from BESES. Key sectoral omissions from this data include farming, insurance, education, health and public admin.

7.1.1. Northern Ireland SMB trade patterns

307. Almost two-thirds (74%) of cross-border deliveries between Northern Ireland and Ireland were made by SMBs and most deliveries consisted of low value consignments.⁹⁵ Over 80% of micro firms and over 70% of small firms that do export concentrate all of their export activity in Ireland.⁹⁶
308. SMBs in Northern Ireland account for 92% of all businesses Northern Ireland selling to Great Britain and 94% of all businesses in Northern Ireland exporting to Ireland. Overall, small and micro businesses in Northern Ireland make up 27% of the total value of sales to the rest of the UK and 47% of the total value of exports to Ireland.⁹⁷ In Northern Ireland, the discussion around SMBs is particularly relevant to agriculture as 'very small' farms accounted for 77% of farms in Northern Ireland.⁹⁸ It is unclear how many of these farms actively trade as they are not covered by BESES data, but those that do are likely to be small traders.

7.1.2. Impacts on SMBs

309. The direct costs and benefits of the Northern Ireland Protocol will affect businesses in the UK that move goods between Great Britain and Northern Ireland, and Northern Ireland and Ireland. These costs and benefits have been described in section 6.
310. Over 5,300 Northern Ireland micro businesses sell goods and services to, and over 10,500 purchase goods and services from Great Britain. Over 1,800 Northern Ireland small businesses sell to and over 3,600 purchase from Great Britain.⁹⁹
311. As with the other costs and benefits set out in this assessment, there are challenges with monetising the costs and benefits for SMBs. While the number of SMBs in Northern Ireland purchasing goods from Great Britain is known, there is no estimate of the number of businesses in Great Britain selling to Northern Ireland. Additionally, the number of consignments moving between Great Britain and Northern Ireland, or the proportion of these consignments accounted for by SMBs, is not known. As such, it is not possible to monetise the direct costs and benefits of the Protocol for SMBs, relative to current arrangements.
312. Unit costs set out in section 6 are assumed to apply to SMBs as well, although recognising that many of these unit costs provided will not accurately represent the costs of administrative and legal processes that could apply between Great Britain and Northern Ireland.
313. For SMBs trading goods of lower value or at lower margins, costs (through a greater administrative burden or the time and resource needed for firms to familiarise themselves with new processes) may be more challenging to absorb. Additionally, small and micro businesses (SMBs) may be more likely to use a customs agent and as such are more likely to face higher costs, though the use of agents could reduce both familiarisation costs and any other burdens associated with the process.

⁹⁵ ['Cross-border supply chain report \(2015, 2016\)'](#), NISRA and Department for the Economy, June 2018.

⁹⁶ ['Export Participation and Performance of firms across the island of Ireland'](#), IntraTradeIreland, September 2018

⁹⁷ Slide 15, ['Overview of Northern Ireland trade'](#), NISRA, June 2019.

⁹⁸ Table 4.6, ['Statistical Review of Northern Ireland Agriculture 2018'](#), DAERA, 2019

⁹⁹ ['Broad Economy Sales and Exports Statistics 2017'](#), NISRA, December 2018 and ad hoc query from BESES. Key sectoral omissions from this data include farming, insurance, education, health and public admin.

7.1.3. Exemptions

314. The UK may also apply a system of reimbursement and waivers for goods moving from Great Britain to Northern Ireland, subject to provisions relating to state aid also set out in the Protocol. The details will be finalised during the Implementation Period but could be expected to provide some mitigation of costs to SMBs. It has not been possible to quantify this system as further discussions are required.

7.2 Familiarisation costs

315. Businesses may need to devote time to understanding what may be required of them for compliance. Businesses currently unfamiliar with customs processes, those that do not export to countries outside the EU, are most likely to devote time to understanding the changes introduced by the Protocol. Businesses that only sell and purchase within the EU (more likely to be SMBs and small traders) may have minimal experience with international trade precedents on which these processes may be based. In particular familiarisation costs for small and micro businesses may disproportionately affect them, as they are more likely to be involved in high frequency trade. In 2017, 5% of Northern Ireland's total purchases were from outside the EU.¹⁰⁰

7.3 Supply chain costs

316. Data on Northern Ireland-Great Britain supply chains is not available, though there is some relevant tentative evidence. The retail and wholesale trade sector was the most important sector for purchases by businesses in Northern Ireland. In 2016, businesses in Northern Ireland in this sector purchased £7.7 billion or 70% of all purchases from Great Britain.¹⁰¹ This, in conjunction with a study into Northern Ireland Retail Purchases,¹⁰² would indicate that the Great Britain market is the key source for the purchase of final products.
317. Expected costs resulting from customs administration, tariffs and regulation could affect supply chains between Great Britain and Northern Ireland, but specific impacts are unclear. They would depend on the substitutability of Great Britain inputs with inputs from Northern Ireland (domestic) or from elsewhere. It would also depend on each given firm's pricing and cost decisions - essentially the interaction between each firm's profit margins and the additional costs they face. In the short term, contracts could require businesses in Northern Ireland to continue purchasing from Great Britain suppliers and absorb the costs of this, if additional costs are created. After these contracts expire, businesses in Northern Ireland could choose to explore alternative sources if there they perceive a cost benefit in doing so, or they may choose to absorb the higher costs if they perceive the benefits of continuity to outweigh additional costs. Of course, this would depend on the substitutability of inputs and will differ from firm to firm.
318. How supply chains between Northern Ireland and Great Britain evolve in the future will depend on whether it is profitable for any given firm to source their inputs from elsewhere, whether that is domestically or from other international sources, and the extent to which they can remain profitable despite facing higher input costs.

¹⁰⁰ ['Broad Economy Sales and Exports Statistics: Purchases and Imports Statistics 2017'](#), NISRA, June 2019.

¹⁰¹ Slide 4, ['Overview of NI trade with GB'](#), NISRA, September 2018.

¹⁰² ['Northern Ireland Retail Study: Value, Volume and Proportion of Goods Sourced from GB or transported via GB from other parts of the world'](#), Department for the Economy, March 2019.

7.4 Consumer focus

319. If businesses incur higher costs as a result of compliance with processes associated with Northern Ireland proposals, they may pass some or all of these cost increases onto consumers. This could result in higher prices for Northern Ireland consumers purchasing goods which reached Northern Ireland from both Great Britain and Ireland.

7.5 Equalities

320. The Public Sector Equality Duty requires that public bodies have due regard to advancing equality. The Withdrawal Agreement and the Political Declaration will end the Article 50 process in an orderly way, ensuring that the Government is having due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations. These provisions have no undue effect on particular racial groups, income groups, gender groups, age groups, people with disabilities, or people with particular religious views.
321. It is not envisaged that any equality issues will arise as a result of these provisions. For instance Under Part II of the WA, the UK and the EU have agreed to protect the rights of EU citizens in the UK and UK nationals in the EU under the Withdrawal Agreement. Existing rights to equal treatment and non-discrimination for EU citizens residing or working in the UK, UK nationals residing or working in the EU, and their family members. They will have broadly the same entitlements to work, study and access public services and benefits as now where these entitlements have derived from UK membership of the EU. These entitlements for EU citizens will be subject to any future domestic policy changes which apply to UK nationals. However, if populations of those with particular protected characteristics are more highly prevalent in Northern Ireland, then they may be disproportionately affected by any impacts, for example, possible higher consumer costs.

7.6 Family test

322. These proposals are not expected to have an affect on family formation, affect families going through key transition, affect family members' ability to play a full role in family life, affect families before, during and after couple separation, or affect those families most at risk of relationship quality and breakdown. Article 3 of the Protocol states a Common Travel Area and the rights and privileges associated therewith can continue to apply without affecting the obligations of Ireland under Union law, in particular with respect to free movement to, from and within Ireland for Union citizens and their family members, irrespective of their nationality.

7.7 Rural issues

323. The Protocol respects the essential State functions and territorial integrity of the UK. The protocol also sets out arrangements necessary to address the unique circumstances on the island of Ireland, to maintain the necessary conditions for continued North-South cooperation, to avoid a hard border and to protect the 1998 Agreement in all its dimensions.
324. In 2017, 60% of the population lived in urban areas, with 5% in mixed urban/rural areas and 36% in rural areas.¹⁰³ Around 58% of businesses in Northern Ireland are located in rural areas.¹⁰⁴ Agriculture is by far the leading industry in rural areas, particularly in those which are more

¹⁰³ Page 6, '[Statistical Review of Northern Ireland Agriculture](#)', Department of Agriculture, Environment and Rural Affairs, 2018.

¹⁰⁴ Table 7.4, '[Statistical Review of Northern Ireland Agriculture](#)', Department of Agriculture, Environment and Rural Affairs, 2018.

than an hour's distance from Belfast.¹⁰⁵ Over 80% of small businesses without employees are also located in rural areas, reflecting the dominance of agriculture in the rural economy.¹⁰⁶ As such, any effects on the agri-food industries are clearly strongly linked to any effects on rural areas in Northern Ireland.

7.8 Costs to government

325. Although costs largely fall on business, there are also implementation and setup costs to the public sector. These include:

- Existing capacity to undertake customs and relevant regulatory checks may need to be expanded to cover trade in goods from Great Britain to Northern Ireland. This could involve increased costs from IT systems, new infrastructure and employing new staff. The cost of doing so is not known.
- Additional staffing would be required to conduct risk profiling of goods moving from Great Britain to Northern Ireland, using data from notifications. Additional staff to deliver frontline operations (undertaking compliance checks) would also be required.
- Costs associated with the Joint Committee, including the operation of the Committee and the implementation of decisions taken by the Committee.

8 Further Impact Assessments

326. Following the introduction of this Bill, there will be subsequent pieces of legislation, including in areas such as data protection and immigration. We will continue publishing Impact Assessments to accompany legislation, where appropriate.

9 Post-implementation reviews

327. The Bill will disapply the standard requirement for a post-implementation review. The Bill is a technical exercise designed to give effect to the Withdrawal Agreement, which has been agreed with the EU. A post-implementation review of how well the Bill achieved this objective would not be practical. This does not remove the general need to review and improve legislation in due course and where appropriate, but rather removes rigid review requirements as they relate to this Bill and associated statutory instruments under the Bill.

¹⁰⁵ Table 7.3, '[Statistical Review of Northern Ireland Agriculture](#)', Department of Agriculture, Environment and Rural Affairs, 2018.

¹⁰⁶ Table 7.4, '[Statistical Review of Northern Ireland Agriculture](#)', Department of Agriculture, Environment and Rural Affairs, 2018.