

Treasury Committee

Oral evidence: [UK Customs Policy](#), HC 776

Tuesday 13 October 2020

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Members present: Mel Stride (Chair); Rushanara Ali; Mr Steve Baker; Harriett Baldwin; Anthony Browne; Felicity Buchan; Ms Angela Eagle; Julie Marson; Siobhain McDonagh.

Questions 88 - 183

Witnesses

I: Lord Agnew of Oulton, Minister of State, Cabinet Office and HM Treasury; Sue Catchpole, Director, Customs Unit, Business and International Tax, HM Treasury; Emily Antcliffe, Director, Indirect Tax, HMRC; Sophie Dean, Director-General, Borders and Trade, HMRC; and Katherine Green, Director-General, Borders and Trade, HMRC.



Examination of Witnesses

Witnesses: Lord Agnew of Oulton, Sue Catchpole, Emily Antcliffe, Sophie Dean and Katherine Green.

Q88 **Chair:** Good morning and welcome to the Treasury Select Committee evidence session on UK customs. We are delighted this morning to be joined by Theodore Agnew, Lord Agnew, and four officials who are supporting him during this hearing. I am going to start by asking Lord Agnew to very briefly introduce himself to the Committee, please.

Lord Agnew of Oulton: Good morning. Thank you, Mr Chairman. I am the Minister temporarily assigned to HMRC border readiness. I am a joint Treasury and Cabinet Office Minister.

Q89 **Chair:** Thank you very much. Welcome to this session, Lord Agnew. Can I ask for a brief introduction from the officials, please?

Sophie Dean: I am Sophie Dean. I am director-general for borders and trade at HMRC. I am one half of a job share.

Emily Antcliffe: I am Emily Antcliffe. I am the director for indirect tax at HMRC.

Sue Catchpole: I am Sue Catchpole. I am director of customs in HM Treasury.

Katherine Green: Good morning. I am Katherine Green, the other half of the job share as director-general for borders and trade at HMRC.

Q90 **Chair:** Thank you very much and welcome, everybody. Let us start with a question to Lord Agnew. I would like to focus initially on the short straits, and Dover in particular. We all know that, come 1 January, there will be the requirement for customs and various other checks to be made. We know the French will clearly be bringing those in on day one. We will be providing some facilitations to make things a bit smoother on our side of the border for the first six months of next year. None the less, there is no doubt that imports and exports are likely to be affected across the short straits after the end of this year.

The Government's reasonable worst-case scenario suggests the possibility of 7,000 trucks in queues and two-day delays. There have been a number of surveys and reports suggesting that the exporters and importers themselves are not going to be sufficiently prepared, or rather not a large enough number of them will be sufficiently prepared, on day one for everything to flow smoothly. We have about 80 days left now, including the intervention of Christmas during that period, and we have all the additional stresses and strains of the coronavirus. Are you satisfied, given that situation, that the UK will be in the right position to handle those customs requirements on day one?

Lord Agnew of Oulton: There are probably three parts to that question. The first is HMRC and customs readiness. I believe we are in a reasonably



good shape for that. The computer systems are all operating and the sites are largely ready—not completely ready but we have sites. We have good contingency with the back-up of Manston, which is not ideal but it can take large volumes. The French bit will be outside our control, and it is a concern to me that they will not be as ready as we would like, but that is something I cannot answer in any detail.

The last bit, which worries me the most, is trader readiness. There has been a head-in-the-sand approach by traders, compounded by what I would call the “quadruple whammy” of two false alarms, so two extensions at the very last minute, followed by Covid and, now, the recession. The traders are not as ready as they should be. If there is one headline that I hope comes out of this appearance today, it is to send another shot over traders’ bows to warn them that it is their businesses that are at stake from 1 January and they really must engage in a more energetic way.

Q91 Chair: Let me focus on the third of those points, trader readiness, which as you say is essential. What steps are you taking to mitigate what appears to be a distinct possibility that many vehicle movements will head in the direction of Dover, for example, only to discover that they do not have the right paperwork? Then you have this problem of loads of trucks that have to be stopped and that issue handled. What are you doing to try to avoid that eventuality?

Lord Agnew of Oulton: There are several strands to that. We have campaigned hard for them all to get their EORI numbers, which is the crucial trading reference number they need with customs. Over 200,000 have now registered for that. We have a 100-person call centre in HMRC, which is ringing the 10,000 or so highest-value traders of the cohort. That is the large traders who do not have a rest of the world portfolio, so this will be a new experience for them. We are making several thousand calls a week. I am worried about the response we are getting on those calls, but I can come back to that.

The last part of the equation is the smart freight app, which has been given a new name but basically is now released for beta testing among some trusted stakeholders. That will allow drivers to go through a short questionnaire online and be told whether they are ready. Linked to that will be a fining system if they arrive in Kent not ready. The pieces of the jigsaw are coming together, but as I say there seems to be a lack of urgency on the part of too many traders.

Q92 Chair: That may be the case. However, let us just look at the EORI numbers. There are 200,000 who have registered. What is your estimate of the total number who need to register in order to have everybody covered, bearing in mind that, in my understanding, those below the VAT threshold level and a number of those trading solely intra-EU27 at the moment, not trading with the rest of the world outside the EU, are more difficult to track? It may be that you do not know the answer to that question. What is your estimate of the totals?



Lord Agnew of Oulton: I will defer to Katherine for a bit more detail, but there are about 100,000 sub-VAT traders. We know that is about the size of the cohort. It is also worth bearing in mind that a lot of those might only do literally one transaction a year. Katherine will give you a little more detail.

Q93 **Chair:** Katherine, of that 100,000, how many do you think have registered for an EORI number at the moment?

Katherine Green: We know that, at the moment, in total, around 250,000 businesses trade with the EU but not with the rest of the world. That is the total group we care most about, that 250,000. Of that group, about 150,000 are VAT-registered, so it is very easy for us to write out to them. We know their names, we know their addresses and, of course, we are doing that. There are about 100,000 microbusinesses. So 250,000 is the target number that we need to get EORI numbers. As Lord Agnew has said, 210,000 is the latest number. We are not far off that target.

We suspect the remaining 40,000 will be mainly the microbusinesses that are not VAT-registered. To reach them, we are using a number of national communication campaigns. We are also working with organisations such as eBay, as we know lots of micro-traders are on eBay, to advertise what Government are doing, because we are not able to write to those microbusinesses directly.

Q94 **Chair:** It sounds like, of the 250,000, there is a shortfall of 40,000. Your suggestion is that that 40,000 contains largely the sub-VAT threshold group.

Katherine Green: That is correct.

Q95 **Chair:** Lord Agnew, you mentioned the smart freight system. It is there, as you have set out, to check before trucks go towards Dover, for example, that they have filled in all the necessary paperwork, in order to avoid the kinds of queues and problems we have been discussing. You have just said that it is in the beta phase of development. We are 80 days away from day one. We have Christmas intervening. A lot of businesses have a lot of other things to do than think about these matters. Are you certain that piece of software is going to be ready on time? If the answer is yes, what does "on time" mean? When would the marketplace expect to be able to get its hands on it?

Lord Agnew of Oulton: The app was released, I think, literally this week to a handful of traders for their evaluation. When I say in beta, we believe the product is ready to roll, but CDL has pushed the border readiness team to get this out to traders so they can start evaluating it. I am reasonably optimistic. It is not massively complicated. This is not building another CHIEF or anything approaching that order of complexity. We will get the feedback over the next two weeks, and I am sure there will be improvements that can be made to it as a result of that feedback. Then I would expect us to have fairly wide rollout by the beginning to middle of November. I have to stress that it is not an HMRC tool, so I do



not want to make a statement on behalf of somebody else. Pragmatically, though, I think we are in a reasonably good place with that app.

- Q96 **Chair:** I accept your premise that this is not like reinventing CHIEF, CDS or any of these huge great programmes that take years. However, the experience of Government and technology, whether it is an app or not, always seems to be that it takes longer and has far more unforeseen glitches than were first imagined. What would be the consequences, therefore, if that app is not available in time for quick take-up by the marketplace? Presumably, it will be thousands upon thousands of lorries descending on Dover, for example, and some element of chaos here.

Lord Agnew of Oulton: It links back to my opening comments. If traders are ready and understand the paper trail they have to follow, the smart app is merely icing on the cake.

- Q97 **Chair:** You are saying that they are not ready. One of your principal concerns is that they will not be ready. To rephrase my question, if we do not have the app and you are right about the unreadiness of the traders, you have a major problem with traffic descending on Dover, haven't you?

Lord Agnew of Oulton: You have, that is absolutely right. To be brutal about it, how many times is a lorry driver going to drive into Kent, take a £300 fine and then park up and wait at Manston for 36 hours while he gets his paperwork sorted? That is what will happen, but I hope to goodness they will not do that more than once. That is the consequence of not being ready: you turn up, you get a fine and you get parked in a holding bay while they sort out your paperwork. There will be congestion and they might get sent back home because they cannot sort out the paperwork. Yes, you are absolutely right.

- Q98 **Chair:** Can I move on to another of the points you raised, which is the infrastructure to handle the kind of scenario you have described: trucks being directed somewhere while they sort out their paperwork? You mentioned Manston, which is quite a long way from Dover. You mentioned in your opening remarks that the various parts of this infrastructure were being developed and that progress was being made, et cetera. Are we right in saying that the capacity you are seeking here for these trucks would be of the order of 7,000? Is that a correct statement?

Lord Agnew of Oulton: That is considered the reasonable worst-case scenario, as it is termed. In a normal run rate, in early January, we would not expect that level of movements. As you would quite reasonably expect, we have to plan for the reasonable worst case. That is what that figure is. I will defer to my team for more exact numbers of lorry capacity in the various physical sites. I know I am using Manston too much, because I entirely accept it is not in a particularly good geographic position, but that alone will hold 4,000 lorries.

- Q99 **Chair:** Is Manston ready to go as of now?



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Lord Agnew of Oulton: I would say it is 85% ready to go. It was ready to go for our exit last year. Things then slipped with Covid, but they are fully on the case now. I would put that level of readiness at around 85%, unless my team want to disagree with me.

Sophie Dean: As Lord Agnew has said, the traffic management element of this is very important. The Department for Transport has been consulting on Operation Brock, which it had up and running for October last year. From an HMRC perspective, the infrastructure we need for January, remembering that we are staging in import control, is primarily for transit. Transit is facilitation, so it is optional for traders, and there are three sources for handling your transit documents. Some of the ports are putting in arrangements. The traders themselves can do the documents at their own premises, if they become authorised as consigners and consignees. Then there are the HMRC inland sites we are setting up.

The Committee will remember that, for last October, we stood up a number of sites in Kent: Ebbsfleet, Ashford and North Weald. Those are in place. Then we have additional sites in Sevington and Warrington. The HMRC infrastructure is primarily focused, for January, on transit.

Q100 **Chair:** Let us step aside from transit for a minute and just focus on these more normal movements between Dover and Calais. Say we are in a situation where the app is not ready, we have lots of trucks snarling up the motorways and we have to put them somewhere because they are not ready for French customs. What level of infrastructure, apart from Manston, do we have in place to accommodate that situation at the moment? What is the capacity of that infrastructure?

Lord Agnew of Oulton: There are around half a dozen sites, but I will let Sophie answer.

Sophie Dean: Not to defer, but the traffic management element of this is handled by the Department for Transport. That is the Operation Brock consultation that asks, "How do we manage traffic flow if we get disruption from HGVs at the border?"

Q101 **Chair:** I appreciate that. Brock followed on from Stack, didn't it? This is using the motorways and hard shoulders.

Sophie Dean: That is right.

Q102 **Chair:** We still have a need, where lots of people do not have the paperwork, for them to go somewhere to be processed and to wait. What is the state of preparedness of that infrastructure? I think I am hearing that we are 85% there with Manston, which has a capacity of 4,000, but it is not in a particularly geographically favourable location. What is there in addition to that, at the moment, that is ready? Of these half dozen other sites for that purpose, what would be ready at the moment?



Lord Agnew of Oulton: I do not have it at my fingertips, but there is a very good schedule of each of the sites, with the number of lorry movements it is capable of handling on a daily basis. We will attach that to the minutes of this hearing, so that you can see the name of each site, the number of lorry movements and where it is. That substantially exceeds the 7,000 you were referring to earlier. They are largely either ready now or moving quickly.

For example, I had a briefing yesterday on one of the sites where the delay is the erection of acoustic fencing. That is literally a job for some contractors to get on the site and put the stuff up. That will take a week to two weeks. We will give you a list of each of the sites in or near to Kent and the lorry movement capacity per site, to give you reassurance.

Q103 **Chair:** Thank you, Lord Agnew. That would be very helpful. In terms of this level of detail, I know as a former serving Minister that you cannot do every detailed question, but your officials who have joined you will understand the detail. Could I ask whoever is most appropriate to answer that question to contribute to the discussion? How ready are these additional pieces of infrastructure to accommodate what could be a very large number of trucks that need to be located if the app system is not up and running, and working as it should be?

Sophie Dean: The transit sites for Kent were up and running for no deal. Ebbsfleet, Ashford, Waterbrook and North Weald are all up and running and ready. The two we are pursuing in addition to that from the HMRC perspective are Sevington, with DfT, and Warrington. Those sites are all on track to be ready. As Lord Agnew says, alongside having the sites up and running and ready to process all these facilitations, as your witnesses said at the last session, the message to the supply chain is, "Get the paperwork ready before the lorry sets out." It is a dual approach of making sure the infrastructure is in place to process the documents and giving the very clear message that these documents need to be done before people travel, supported by "check an HGV is ready to cross the border".

Chair: I understand that point. Lord Agnew, it would be very helpful for us to take you up on your offer. It would be useful to know, certainly for Dover, but perhaps for other ports, what the capacity is at the various infrastructure sites that you are envisaging coming on stream, and for each of them the state of readiness, whether it is literally about to come on stream, and the estimate of when it will be up and running. That would be extremely helpful. Thank you very much indeed for your answers to those questions.

Q104 **Mr Baker:** Good morning, everybody. Lord Agnew, I think you said the French are not as ready as we would like. Could you tell us a little more about the ways in which the French are not as ready as you would like?

Lord Agnew of Oulton: No, I do not think I said that. I said that I do not have visibility of their readiness.



Q105 **Mr Baker:** That is quite important, though, isn't it?

Lord Agnew of Oulton: Indeed it is.

Q106 **Mr Baker:** What is your list of concerns about French readiness that you would like to have greater visibility of?

Lord Agnew of Oulton: It is simply reassurance that they are ready. My job is to ensure that HMRC is ready, and that is what I am trying to do. I do not have a remit to engage with the French, but I believe the French ambassador visited the short straits very recently and had a very constructive visit and meeting with key members for the short straits, I think Dover or Eurotunnel. It is an important part of the equation, but I do not have a remit over that.

Q107 **Mr Baker:** Who does have a remit over that?

Lord Agnew of Oulton: It would be the broader border delivery group, I presume.

Q108 **Mr Baker:** Who is the responsible Minister for the border delivery group?

Lord Agnew of Oulton: That will ultimately go to CDL, the Chancellor of the Duchy of Lancaster.

Q109 **Mr Baker:** He is quite a busy man, then.

Lord Agnew of Oulton: He is extremely busy. He is running XO meetings four times a week, where the responsible Ministers and officials are brought for cross-examination on their levels of readiness. I do not sit on all of those; as I am concentrating on HMRC, I will not be there for all of them. That is the fulcrum of where these things are challenged and pushed.

Q110 **Mr Baker:** Perhaps I will come back to that, but I want to go through one or two nuts and bolts issues first. We are going to need border inspection posts on both sides of the border, if we are outside the customs union and outside the EEA and EU. What visibility do you have about whether the French have border inspection posts at or behind the border for Calais?

Lord Agnew of Oulton: I do not have visibility of that. I am aware they have increased the capacity of their green lanes in Calais, so the volumes of vehicles can be increased. I am afraid I cannot answer your initial question.

Q111 **Mr Baker:** The reasonable worst-case scenario says, "Schengen passport controls at the juxtaposed controls could continue to cause disruption until the French relax checks or add more capacity to undertake checks." Are we relying on the French to relax checks or to add more capacity, or do we not know?

Lord Agnew of Oulton: I do not know. I am focusing on our readiness here at the HMRC level. Your questions are perfectly reasonable and



important, but you are asking the wrong person. I am sorry to duck the question.

Q112 **Mr Baker:** That is okay. As you will see, and I am coming to the point, I am not trying to catch you out. I am just trying to flesh out the issues in the public interest. What assumptions have we made of how quickly the French process paperwork? What sensitivity analysis have we done on that?

Lord Agnew of Oulton: I cannot answer that, but pragmatism would suggest to me that they are not going to want to restrict imports coming from them to us. If the exports are things they want, they are going to be pragmatic about it. It will come down to what the French want, really. As I say, this is outside my area of expertise entirely, but this is part of the reason why we hope to get some sort of deal, because that will mean there is goodwill to get over the sorts of issues you are perfectly reasonably raising. We do not want to go into a hostile environment in January, because that will make life even more difficult.

Q113 **Mr Baker:** I have always been clear that I would like a deal of the kind they suggested to us. To come on to traders, as somebody said earlier, we have had a number of false starts and trader readiness is a subject extremely close to my heart. I do not mind telling viewers that I nearly resigned at the beginning of 2018 because I was being prevented from going out and talking to traders about their readiness. It has been an awfully long time coming that we are now telling them to get ready in a big rush.

Now we have a new Government, a Government determined that we shall leave the EU, what level of certainty should traders have that we are going to be outside the customs union and, therefore, doing customs paperwork from 1 January? Is it 100% certain, or should they be in any doubt?

Lord Agnew of Oulton: I would go to 99%; 100% is above my pay grade.

Q114 **Mr Baker:** I was hoping you would say 100%, because we have now passed the point at which we can extend the transition, haven't we?

Lord Agnew of Oulton: I agree with you. Again, I am focusing on the fact that we will 99% be out on 1 January. Any business that worked on a probability of hoping the 1% comes true would be a very unwise business.

Q115 **Mr Baker:** Let us hope it is the latter point that is the headline, not the 99%, because I am afraid some of my colleagues are now going to be worried about the 1%.

Lord Agnew of Oulton: I think you are picking at straws a bit. I could walk out of this meeting and go under a bus. What I cannot say to you is something that is outside my control, but I can say to you something that any reasonable business could take on board: this is going to happen.



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Q116 **Mr Baker:** I think we are all on the same page here. We want the border to flow well and traders to be able to get to and fro. Your message to businesses is clear, if I could play it back, that we are leaving the customs union, we are going to be doing customs paperwork and they need to get ready now.

Lord Agnew of Oulton: That is absolutely correct.

Q117 **Mr Baker:** Great. Coming back to the points we made earlier about engagement with the French and the visibility of various issues like Schengen border controls and BIPs, we have talked several times about transport. The evidence you have given us vividly illustrates something I learned while in Government and responsible for preparedness: the border is very complicated. It spans multiple Departments. I would make the point, having been party to the Prosperity UK work on the Irish border, that on this issue there is no substitute for detailed expertise, preferably career long. That is why I proposed to the Prime Minister, on the day I famously did not join the Government, that he should have a Minister of State for the border. You have told us that CDL is effectively the Minister for the border on top of all his other duties. Is that right?

Lord Agnew of Oulton: Again, I do not want to be misquoted, but that is the melting pot where all the EU exit machinery coalesces. Borders, essentially, are an immigration matter for people, so that would be the Home Secretary. It is about communication. How many people every week turn up at an airport to fly somewhere and forget their passport? That is the issue I am worried about, that traders will do the equivalent, going to an exit port without the paperwork, and they will be turned back, as would happen to you if you went to an airport to fly, as indeed happened to my eldest brother on his first trip to Brussels as an MEP. He turned up at Stansted Airport without his passport. He got sent packing, and he did not make that mistake again.

Q118 **Mr Baker:** Lord Agnew, you will realise that I am a Brexiteer. I want this to be a success. I want the public to look at the border after we have exited the EU and say, "Look how brilliantly Government have succeeded in getting this done." At the moment, I am slightly concerned that, unless Michael Gove turned up and gave us all the answers on the things we are reasonably concerned about, things that will slow down the border, like how quickly the French do checks, the BIPs, the Schengen controls and so forth, we would have to sit here today and conclude that we did not know whether the border was going to work. I am a bit concerned about that.

Would you join me in saying that it would be a good idea to have a dedicated Minister of State responsible for all aspects of the border, who is not, for example, also responsible for our coronavirus response across Government, for the negotiation and for all the many other things that CDL has to take on?

Lord Agnew of Oulton: You cannot put words into my mouth. I am not a Cabinet Minister. I do not have the ear of the Prime Minister on a



regular basis. I have been given a job, which is HMRC border readiness. That is what I am trying to help ensure happens. In a theoretical world, what you are saying is a perfectly reasonable statement. I have only been doing this job for a couple of months. It has taken every ounce of energy and brainpower I have to cover this mandate. You are asking me to comment on a whole lot of other stuff that, frankly, I am not focused on.

Mr Baker: No, that is fair enough. I will draw things to a close there. People who have heard this will realise it is a subject dear to my heart, having been responsible for preparedness during a year in which I was not able to do all the things I wanted. I just hope that traders have heard you and know that they need to get ready, and get ready now.

Q119 **Rushanara Ali:** Good morning. Lord Agnew, I want to focus on the reasonable worst-case scenario and pick up on some of the questions from Steve and the Chair. The Chair mentioned that the new customs regime will come into play on New Year's Day. It is a weekend, and in Scotland there is a fourth day that is a bank holiday. Can you talk us through the implications of that? If there is gridlock from the word go, how quickly can emergency measures be triggered to close motorways, set up roadblocks and forcibly stop traffic from entering Kent?

Lord Agnew of Oulton: As I understand it, the retailers, the big importers, are pleased that the cliff edge date is happening at a weekend literally after Christmas, when activity is at one of its lowest points in the year. We can be reasonably confident that the volumes of movement around those first few days will be very low. However, as you say, we need to be ready for the reasonable worst-case scenario. In Kent, they have just completed this hydraulic mechanisation of the motorway so they can shut lanes in a much more efficient way than could have happened last year.

I do not have the full details, but I believe—again, correct me, team, if I am wrong—that system is now complete and can be used, which will help. I remain reasonably optimistic that those first few days of January will see relatively light volumes of movement.

Q120 **Rushanara Ali:** In the Cabinet Office report, there is an estimate that 30% to 50% of trucks might not be border ready when taking into account empty trucks and so on. That is a significant number. The issue has already been raised, given the track record and the points you have made in response to the Chair's questions about technology, such as apps not going according to plan. As we have seen recently with testing and tracing in relation to coronavirus, things can go wrong. You said earlier that you are responsible for a particular agenda and a particular part of the programme to ensure a smooth exit. Would you say there is an issue of a lack of co-ordination across Government that means we could find ourselves in a situation where the reasonable worst-case scenario is very grave?



Lord Agnew of Oulton: You are absolutely right to be worried about that. I completely accept that. That is the whole point of this XO structure, where Ministers and officials are challenged on a daily basis. I am not giving you a full answer because I do not have the full answer. I do not attend all those XO meetings.

Can I give you a bit of reassurance on the systems? The smart freight app—I am sorry I do not have its new name; it has been given a rather dull, bureaucratic name—has been built over a number of months, not under the sort of pressure people are under in the NHS. This has had a reasonably long gestation period. This is not to be complacent, but we will get real time feedback over the next few days on the response of the industry to its effectiveness. If we then look at the two other systems—

Chair: Sorry, Lord Agnew, we are losing your sound, I am afraid.

Rushanara Ali: It does not inspire confidence that a Government Department's technology failure is happening on this session, and we are meant to believe that the Government are going to get a grip on exit day and all this is going to run smoothly.

Chair: We do not know the causes of the gremlins in this instance. Do we still have Lord Agnew?

Lord Agnew of Oulton: I am back. I will defer to colleagues on any more detail, but there are three main systems for us. CHIEF, as you will all know, is a very well-established system. It has been around for a long time. It has had a substantial upgrade to massively increase its capacity for transaction handling. That is already done and is working on a daily basis. CDS, which is the long-term replacement to CHIEF, is a system that has been built and operating for over a year. It is being used by traders, albeit at very low volumes, but it is working. This is not something brand new to be rolled out. Then the GVMS system has been out in beta with traders since about August this year. I will let Sophie add a bit more flesh to the bones on those.

Q121 **Rushanara Ali:** I would like to put my question, sorry. I have two more questions. That is very helpful, thank you. If others want to write in to provide more detail, that would be helpful.

Lord Agnew, the Cabinet Office paper on the reasonable worst-case scenario shows there is likely to be at least a two-day delay. Perhaps others can come in if necessary, but this is for you. Has HMRC made other authorities aware of the potential need to distribute hot food and drinks to people stuck in vehicles on motorways in the middle of winter over that weekend? Have you discussed needing temporary toilet facilities, and have they been reserved, if we get a pile-up of thousands of lorries during that weekend?

Lord Agnew of Oulton: I cannot answer those detailed questions, but lorry drivers certainly have those facilities in their cab, not lavatory facilities but cooking, bedding and so on.



Q122 **Rushanara Ali:** Who is thinking about lavatory facilities? There could be thousands.

Lord Agnew of Oulton: That will be the people who are getting these sites ready. I used Manston because I happened to visit it a year or so ago, so I understand the layout. There were stacks of portaloos being built, and we will do the same. That is a question for DfT. I am sorry to not have the granularity on it, but it is a perfectly reasonable point. In terms of non-lorry drivers, so ordinary citizens caught in a snarl-up on the motorway, I believe the chances of that are much less because of the traffic management systems the DfT is putting in place in conjunction with the Kent resilience forum.

Q123 **Rushanara Ali:** In response to the Chair's questions, you talked about traders. You talked about businesses and said that the headline you want from this session is a shot across the bow. Is it now Government policy to pre-emptively strike and blame businesses when, 80 days out from the new customs regime coming into place, there is not a deal to be seen? What there is likely to be is a very thin one, which means these preparations need to be done. That is a responsibility of Government, and today you have not been able to answer many of the questions that the Chair and Steve Baker asked. It does not inspire confidence, with respect.

I appreciate you cover one area, but, again, is there a strategy to blame others and not take responsibility? That is what it sounds like. What is going to be done to give confidence to the British people that they are going to get what they were promised, which is a frictionless arrangement with the European Union, that their living standards and livelihoods are not going to be affected and that this is not going to be a massive disruption? You have not inspired a great deal of confidence today with many of your responses.

Lord Agnew of Oulton: First, this is not about blaming anybody. Ultimately, the Government can only do so much. If businesses have not engaged and understood the processes from 1 January, that has to be their responsibility. I completely disagree with you that I am trying to apportion blame—absolutely not. I am trying to get businesses to wake up and realise that they have, as you say, only 80 or so days left to do it. One of the worries I had a couple of weeks ago was that there would not be sufficient customs intermediary capacity to be ready to support these traders. I am now reasonably confident that there is that capacity. We are simply asking businesses that trade with the EU to get ready. If you want to say I am blaming people, that is your interpretation, but I absolutely reject it.

Q124 **Rushanara Ali:** Businesses are not satisfied. The Government have left a great deal of uncertainty. Businesses have had to deal with a recession caused by Covid and significant uncertainty. They expect the Government to give them clarity. They have been asking for that for years on this Committee. We have had business after business saying the Government



should give them clarity. They need to know what exactly they should be doing. There is a great deal of uncertainty and a lot of things are still up in the air.

Lord Agnew of Oulton: We are negotiating a very large treaty with a large organisation, in the shape of the EU, and the EU has form on taking these things to the wire. That is not our choice. We have been trying to get a deal over the last few months.

Q125 **Rushanara Ali:** So this is nothing to do with the Government. It is businesses' fault and the EU's fault; it is nothing to do with the Government. The Government are doing everything as they should be. Is that what you are saying?

Lord Agnew of Oulton: You want to interpret everything I say as blaming other people. I am just trying to give you the realpolitik of the situation. You seem to inhabit a magical world where all these things happen automatically. They do not. We are in the middle of a very difficult negotiation with the EU.

Q126 **Rushanara Ali:** They expect delivery on what was promised to them. That is not what is happening. That is not magic. That is about asking the Government to deliver what was promised. People were promised that they could have their cake and eat it; you cannot seem to deliver cake, never mind magic, it seems.

Lord Agnew of Oulton: Unfortunately, coronavirus has caused a great deal of disruption in everybody's lives this year: traders, the EU and us.

Q127 **Rushanara Ali:** It is coronavirus as well. We can add that to the list.

Lord Agnew of Oulton: I know you are determined to create the narrative that I am apportioning blame.

Rushanara Ali: I am not creating any narrative, Lord Agnew; you are. It is that every other institution is to blame. The Government need to take some responsibility. What we are calling for is some leadership and cross-Government working. You have sat here today and talked about what you are responsible for. You are not responsible for other things—we appreciate that—but we need to see cross-Government responsibility. Possibly it is the Chancellor of the Duchy of Lancaster who should be on this meeting today to answer some of these questions. I am going to stop there, but this is not satisfactory.

Q128 **Anthony Browne:** I declare at the outset that, when I was director of Policy Exchange, one of my trustees was the then not ennobled Theodore Agnew, now Lord Agnew.

I want to focus on the technological issues that were touched on a bit earlier, but, beforehand, I have one general question. As you pointed out, we are in the middle of a big negotiation. We do not know whether we are going to have a deal; we do not know exactly what the details of the deal will be. When we do or do not have a deal and we know what the



deal is, how might that change the preparations needed? We are clearly not going to be in the single market; we are not going to be in the customs union; and we may or may not have tariffs, et cetera. Are you going to need to change what you are doing once you know what the outcome is?

Lord Agnew of Oulton: It is a very important question. One of the slightly perverse worries we have is that, if we do get a deal, the trading environment will think it is the equivalent of just rolling forward the transition period, which of course it is not. We are leaving the customs union whatever happens, whether or not we have a deal. It is a very important message to get out there, in the hope that we reach some kind of accommodation in the next couple of weeks.

If we get a deal, all that happens, in a very simplistic sense, is that all the different tariffs—there are some 15,000—will be set to zero or whatever the deal might be. The paperwork, the processing, still needs to happen on the basis that we are leaving the customs union. It is an extremely important point, and I hope it might get out there.

Q129 **Anthony Browne:** On the IT preparedness, you have touched on a bit of it, I understand there are five new IT systems that need to be put in place as a result of Brexit. There is the customs declaration service, safety and security GB, the import of products, animals, food and feed system, the goods vehicle movement service and then smart freight. We have touched on three of those. Is that right? Are you doing any more? How confident are you that all those systems are going to work on 1 January?

Lord Agnew of Oulton: I talked about the HMRC ones. Would you like more granularity?

Anthony Browne: Yes, please.

Sophie Dean: As Lord Agnew referred to, the main customs platforms we use are CHIEF, which, as Lord Agnew says, is a 25-year-old, well-known and well-regarded system. That has been tested. It was tested for 300 million declarations last October, and we are testing it fully to 400 million. We have CDS, which we are making changes to for Northern Ireland, to comply with the Northern Ireland protocol, but it is worth saying that CDS is a live system. We have traders using it today.

The main new system for us in HMRC is GVMS, the goods vehicle movement service. That is what allows us to do customs controls at the so-called roll-on, roll-off ports, where it is really vital that we do not impact flow. In all of this, it is worth remembering, in light of earlier questions, that one of the important things we are doing for January, for both traders and flow, is to stage in the import controls. The vast majority of goods coming into the UK from the EU will not have to fill in full import declarations. As I say, the systems will be ready to support all of those processes for January and then for July, when we bring in full import declarations.



Q130 **Anthony Browne:** Is the GVMS system, the goods vehicle movement service, being tested now with real businesses?

Sophie Dean: Yes. We sent out the specs over the summer. The test environment was up and running in August. We are testing as we speak with carriers and hauliers. It is being tested as we speak with the third parties.

Q131 **Anthony Browne:** Lord Agnew, how confident are you that all these systems are going to work when they are meant to work? As various people have touched on, we have had many Government IT failures.

Lord Agnew of Oulton: I have a high level of confidence. I cannot speak for one or two of the others, because they are Defra systems. I am sorry to silo my responsibilities, but I have a very high level of confidence in the three that we have, CHIEF, CDS and GVMS, because they are existing systems and they are already out there. CDS was built two or three years ago. This is not a brand-new system; it is well understood. I am confident that the systems will work satisfactorily from 1 January.

Q132 **Anthony Browne:** We heard from the Port of Dover about the French equivalent of GVMS, which was operational before ours. They suggested that the UK should just license the French system, that it would be a lot quicker, easier and possibly cheaper. Did you consider licensing the French system and, if not, why not?

Sophie Dean: We looked at the French system last year, and the judgment was made that GVMS was a better fit for the HMRC systems. Your witness in the last session said that time had moved on since he made that comment, and the key thing was getting GVMS up and running, which is exactly what we are focused on.

Q133 **Anthony Browne:** What are the main hurdles to getting them all fully operational?

Sophie Dean: As we have said, the specs are out and the test environments are up and running. The main thing now is making sure that all the end-to-end testing works and we are providing a full one-to-one service, which we are, for all the big ports, carriers and hauliers to make sure they are comfortable on their side that it all works seamlessly.

Q134 **Anthony Browne:** What is the backup if the system does break down? Computer systems do break down. We have been finding that today during this evidence session. If they do break down, what is the backup? How will you make sure the freight can carry on moving?

Sophie Dean: The customs declaration systems, which are the main ones we have talked about, CHIEF and CDS, have been running for some years and have well-established contingency built into them. We are using GVMS for transit from January, giving us six months to July for using it for customs compliance. That gives us reassurance in terms of making sure everything is fit and ready. For GVMS, again, we are testing



all the system contingencies as part of the test environment over these coming weeks and months.

Q135 **Ms Eagle:** We were told in our previous session, Lord Agnew, that for all of this to work every part of it has to work. I appreciate that you are only responsible for part of it, but how confident are you that all of it is going to work? If even a bit of it does not work, the outcome may well be chaos at the border.

Lord Agnew of Oulton: That is a very important question, which is why we have created the XO committee structure where you have one Cabinet Minister holding to account all parts of the system. Let us be realistic: this is a mammoth change for this country. It is the biggest change at our borders since probably 1992, and maybe right back to our entry into the EEC, so there will be disruption. I gave the example that people will turn up without a pet passport or with a passport that does not have enough months left. All these individually small things in aggregate will be disruptive and frustrating, and people are going to have to learn to live in the new environment.

I do not want to give you a bland assurance that everything will work well, but what I see, on almost a daily basis, is the level of scrutiny and energy that is going in to try to ensure that these levels of disruption are kept to an absolute minimum. I am sitting on not every XO meeting but quite a lot of them. I hear the level of challenge; I hear the work that is going on. I am reasonably confident. Those who did not want to leave will enjoy the process in January of pointing out the things that have not gone right. That is the brutal reality of it, but I believe, broadly speaking, we will come out in a reasonably orderly fashion.

Q136 **Ms Eagle:** Everybody wants the system to work, given that we are where we are. Whatever their views on the original issues around Brexit, nobody wants chaos.

How sensitive is the overall system to these small problems you were talking about? If you are driving on a motorway and people slow down up ahead, you can get yourself in huge traffic jams just for small variations in speed. If you are in a traffic jam, you are disrupted. It does not matter, in essence, what caused it. How sensitive is this system, given its size and complexity, to small breakdowns?

Lord Agnew of Oulton: Again, that is a very important question. Only yesterday in one of the XO meetings we were being challenged on the overall capacity for port movements, and a figure of 47,000 was mentioned. Distributed across all of our port capacity, that is substantially more than is needed, but you reasonably ask what will happen if too much of it goes in one direction. We were discussing yesterday the possibility of improving the smart freight app to send signals to drivers so they know of disruption before they leave the depot or while they are on their journey so they can divert.



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You are right. These are newly emerging threads of activity. You can criticise us for not putting all this stuff in place earlier. That is a free hit, probably, but these things are being worked on in real time. If people are sensible and pragmatic, I believe we can do as much as we can to minimise the sort of disruption you are referring to.

Q137 Ms Eagle: On 23 September, Michael Gove told the House of Commons that the border operating model would be published by the end of the month. In reality, it was only published on 8 October. Can you tell us what caused the delay?

Lord Agnew of Oulton: I cannot tell you what the delay was, but I can assure you that we believe that to be the last major guidance to be issued. I am sure there will be corrections and improvements, but that is the toolkit by which people should operate from now on.

Q138 Ms Eagle: There were 21 separate occasions when the model said, "More information will be made available in due course." This update means that is now down to 13. When businesses look at this model, this phrase appears, "More information will be made available in due course." When will those 13 areas become zero areas so that businesses trying to work with the model know exactly what the guidance and the shape of it is?

Lord Agnew of Oulton: I cannot give you an exact breakdown, but I suspect that several of those will relate to a deal, which will clarify items. We are working as hard as we can to eliminate those outstanding elements literally week by week. I do not know whether my colleagues can add anything to that.

Q139 Ms Eagle: For the sake of time, will you send us extra information about those 13 and when they are expected to be resolved? If you could send us written information, that would be very helpful.

Lord Agnew of Oulton: Yes.

Q140 Ms Eagle: Why are the Government still chopping and changing the border operating model when there are only three months to go to 1 January, when it is meant to be fully up and running? As we know, businesses have to be able to know what it is and to have tested it in their own systems ahead of that time.

Lord Agnew of Oulton: I suspect the reason is that, in reality, some of the previous iterations have been shown to need improvement. We have listened to stakeholders, who have said, "X, Y and Z does not work properly; why are you doing it this way when you could do it that way?" There is an iterative discussion going on. I accept it is happening late in the day—I am not going to defend that—but it is important that we are listening to people.

Let me give you a small example. I was on a call with one of the senior management of Eurotunnel the other day. He said, "We want a scanning facility in GVMS. Can we have it?" I took that back to the head of IT in HMRC and we are working at pace to try to deliver that. I cannot



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guarantee that will happen by 1 January, but we will do everything we can to try to ensure that that is the case.

Q141 **Ms Eagle:** When will the Government be able to provide more information on which ports are going to use the temporary storage border model and which are going to use the pre-lodgement model? There are these two choices that any port can opt for.

Lord Agnew of Oulton: I will defer to my colleagues on the details.

Sophie Dean: The decision on whether to use GVMS, the temporary storage or, indeed, a mixed model is a commercial decision for the ports. As I said earlier, we are working very closely to help them make that decision. Once they have made it, we will issue that information to traders as soon as possible.

Q142 **Ms Eagle:** Is there a deadline for them to make that decision? If you are a trader, it might make quite a difference as to which port you decide to use.

Sophie Dean: Indeed, because it is a commercial decision, it is for them to make, but we are doing everything in our power to get those decisions made quickly and communicated to the outside world.

Lord Agnew of Oulton: This is not a complete answer, but we announced the port infrastructure fund last week, and the closing date for that is the end of this month. That will give us a lot of clarity on which ports are going down which routes. As I am sure you know, that will enable them to add capacity to provide the facilities for the on-site storage in that route of customs handling.

Q143 **Ms Eagle:** You expect there to be much more clarity by the end of the month about which ports are using which models. Is that what you hope?

Lord Agnew of Oulton: Yes, I would.

Q144 **Ms Eagle:** There is an outstanding issue about exporting and importing plants. Obviously, there are biosecurity aspects to all this that are very important to human and animal health. When will further guidance on exporting and importing plants be issued? At the moment there is none.

Lord Agnew of Oulton: I know you think I am the chief ducker of questions, but that is a Defra question. I will ensure we give you a written response in our follow-up document.

Ms Eagle: Thank you. I appreciate that. Obviously, Government can be quite siloed. As we were talking about earlier, one problem in one bit of the system can lead all of it to grind to a halt. For the Treasury Select Committee, the potential for that to cause economic chaos is huge. It would be nice if we could question the person who has full oversight of all that so we can get some answers to our questions. Lord Agnew, I appreciate that you have been very candid about your role in this.

Q145 **Julie Marson:** I will address this to Lord Agnew. If Sue or anyone else



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wants to come in, please feel free. Lord Agnew, you quite rightly said you are very focused on wanting companies to be prepared. Say I was the chief executive of a company and I wanted to start training my staff in how to fill out the forms for the customs checks. Will the forms, or indeed the online systems needed to log in and view them, be available to enable me to look at the guidance and start training my staff?

Lord Agnew of Oulton: Yes, that information is available. I will let Katherine give you a little more detail.

Katherine Green: In general, we expect that many traders and companies will, in practice, use an intermediary to do their customs declarations for them. That is what we have at the minute for our trade with the rest of the world, and we would expect that to be replicated, particularly because we know lots of small and medium-sized enterprises trade between the UK and the EU.

What we are doing first is making sure that we have capacity in the intermediary sector and that, really importantly, in our messaging to businesses, we are really clear about who the intermediaries are and where they can find them. There is a full list on Gov.uk, so you can look at that list and find an intermediary to get in touch with. That is the route through which we expect the vast majority of businesses, in practice, to fill in their customs declarations. However, if businesses want to do it themselves, there is full guidance on Gov.uk, for example, on how to export, and it takes you through all the steps to do that.

Q146 **Julie Marson:** Just to be very clear, you mentioned numbers of microbusinesses and VAT-registered businesses. How confident are you that companies have the guidance they need? How many companies are you still trying to get the communications across to, so they are in control of their training and the guidance they are working to?

Lord Agnew of Oulton: Apart from the points I have made already about being worried that there is not enough engagement by traders, on a slightly more—

Chair: I am sorry, Lord Agnew. We have lost you again. Did any of the officials want to come in, in the interim, on the question Lord Agnew was answering?

Sue Catchpole: The basic message is that there is a great deal of communication with traders at the moment. If traders want to go on the HMRC website, they can see what a customs form looks like and they can follow the guidance there on how to fill one in. As Lord Agnew was saying, for many traders the better course of action is likely to be to use an intermediary.

Julie Marson: I do not know whether we have Lord Agnew back.

Chair: No, I do not think so. It might be an idea to ask some questions of the officials, bearing in mind of course that they are not responsible for the policy; they are there to provide background information and such.



You could approach it in that spirit.

Q147 **Julie Marson:** I assume Sue is the only one who can hear me at the moment. This may not be something you can answer, Sue. Please just say so. The Member for Denton and Reddish, Andrew Gwynne, asked Michael Gove when the guidance on food and drinks labelling would be available. Michael Gove, not unsurprisingly, said that many of the details were still being negotiated. How much of the guidance is still dependent on the outcome of negotiations? That is still a big issue for companies to deal with.

Sue Catchpole: I can answer in relation to customs how much is dependent on negotiations. You will appreciate that I am a Treasury official, and I am not responsible for negotiations on food and agricultural products.

As far as customs is concerned, as we have already discussed, the core requirements relate to making customs declarations and so on. Those will be required from 1 January because the UK will have left the customs union and the single market. The ongoing negotiations on customs relate to some trade facilitations and customs co-operation between UK and EU authorities. Some of those will provide facilitations to traders. For example, both the EU and the UK are looking to achieve an agreement about mutual recognition of authorised economic operators, but the core message in relation to customs is that the requirements will be there whether there is a free trade agreement or not.

Q148 **Julie Marson:** You feel that guidance could be issued on that. Is there guidance so that companies know exactly what they are dealing with now?

Sue Catchpole: Lord Agnew is coming back now but, in relation to customs declarations, the guidance is very clear: you need to prepare to do customs declarations.

Chair: Lord Agnew, are you back with us?

Lord Agnew of Oulton: I hope so, yes.

Q149 **Julie Marson:** I will just finish off. Sue was doing a great job of answering the questions. In the Commons, Michael Gove said that many of the preparations are still dependent on negotiations. In terms of the written guidance that companies have before them now to enable them to prepare for 1 January, how far is this going to go down to the wire for them?

Lord Agnew of Oulton: It is very frustrating. The Prime Minister has said that we need to know whether we have a deal or not by—I cannot remember the date—15 October, because we then have to do this preparatory work, if there is a deal. I mentioned earlier these 15,000 tariff codes. Someone has to go through all the systems and change those if we have a deal. Michael Gove is right, but, at the moment, we



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are preparing flat out for what we call the Australian deal, which is essentially not having a free trade agreement with the EU.

I remain hopeful that pragmatism will prevail, because it is not in anyone's interest for us to end up in an adversarial relationship with our nearest neighbours. I remain optimistic that we can achieve something in the next week or two, but it is going to be very difficult, because we are trying to co-ordinate sending out the right signals to businesses so they are ready but not necessarily having all the answers.

Q150 Julie Marson: If I am the chief executive of a smallish company trading with the EU, can you give me the confidence that I will have, in good time, the guidance I need to carry on trading after 1 January?

Lord Agnew of Oulton: Yes. If they prepare on the basis of an Australian relationship from 1 January, they will be fine. If we get a deal, that will be dialled back a bit and it will be a little simpler in some areas. Essentially, the architecture of what will exist in January will be exactly the same whether we have an Australian deal or a free trade agreement.

Q151 Felicity Buchan: Good morning, everyone. My questions are on Northern Ireland. Lord Agnew, the Northern Ireland border model has not yet been published. Michael Gove said in the Chamber in July that it would be ready within a few weeks. When do we expect it to be published, and what is the reason for the delay?

Lord Agnew of Oulton: It is an immensely complicated arrangement, and it is extremely sensitive. There is a great deal of sensitivity about announcing something that is not completely ready. My focus has been on the TSS, the trader support service, which we are rolling out at the moment. That will be there to support Northern Irish traders from the beginning of January. We are talking to the Joint Committee, which oversees a lot of these arrangements, but I am afraid I cannot give you a date for when that will be announced.

Q152 Felicity Buchan: Unlike the border across the channel, the checks in Northern Ireland will have to start on day one. Are you concerned that we are running out of time? We only have 80 days until 1 January.

Lord Agnew of Oulton: Yes, I am worried about it, particularly because of the huge sensitivities around it. One could not be anything other than worried about it, but we have been very consistent in our commitment that there will not be checks at the border, and we just need to be as ready as we can.

On a more positive note, if you are interested in this area, I would encourage you to have a look at a company called P2D, which produces a very good service for rules of origin and shows how you track goods, which I know is something the EU are very worried about. This is something that is going to be used—it is already being used, actually—by a lot of companies. These are the sorts of solutions that will be available



to people, but I cannot pretend that I am not worried that we have not nailed all of this down.

Q153 **Felicity Buchan:** You have said that you are worried about it. What more, if anything, should Government be doing at the moment?

Lord Agnew of Oulton: We have to get the TSS up and running as quickly as we can. We have already had some 2,000 traders in Northern Ireland register with it for information and advice. That is going up literally on a daily basis. We reckon we have a community of about 10,000 traders that we need to get to in time for D-day. As you say, providing clarity on information as soon as possible has to be the overriding direction for us.

Q154 **Felicity Buchan:** The contract for the TSS was only awarded in September. Why did we award the contract so late? Are you confident that we are going to be fully operational, in that we are going to get the majority of those 10,000 businesses signed up?

Lord Agnew of Oulton: I would say I am reasonably confident, but you are right that the timing is very, very tight. In a perfect world, this should have been stood up earlier, but there was quite a lot of debate about us monopolising an activity that the private sector should be providing. We agonised over that, and it may be fair criticism to say, "You agonised for too long." That is a perfectly reasonable thing to say, but, in the end, we felt this was the lesser of two evils to provide a comprehensive service.

The chosen bidder, the winning bidder, is a very powerful consortium of deep expertise in all the different areas that will apply and will be there to support traders, but it is going to be a very close-run thing to get it all up and running by 1 January. I am very worried about it.

Q155 **Felicity Buchan:** The TSS website says that more training is coming soon for traders. When will that be ready? Are you confident that traders will have enough time to become comfortable with the system?

Lord Agnew of Oulton: I am going to defer to Katherine to give you a bit more flesh on the bones.

Katherine Green: The important thing to say is that the Institute of Export and International Trade is part of that consortium. It is an existing provider of customs education. We already have some training ready to go from that perspective, so that will really help. The information on the website will give the latest details, but that training will be up and running very shortly.

Q156 **Felicity Buchan:** In terms of trade from GB to Northern Ireland, will we be using the GVMS system? Are we confident it will be ready by 1 January?

Sophie Dean: As Committee members will know, for trade from GB to NI the protocol is really clear that Northern Ireland remains in the UK customs territory. We are administering some procedures on behalf of the



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EU; that is all done by the UK authorities. In practice, there is minimal administration for traders in the form of some electronic declarations and safety and security declarations. It is that specifically that the trader support service will support them on. In terms of systems, we are using CDS, the customs declaration service, which is being amended for the Northern Ireland protocol, and GVMS will also be used for that purpose.

Q157 Felicity Buchan: This is quite a specific question. The Government's guidance states that there will still need to be checks for goods between Northern Ireland and GB to take account of international obligations, for example the movement of endangered species. If we are having no checks, how can we control that and ensure that no endangered species are moving across the border?

Lord Agnew of Oulton: I will stand corrected by my colleagues, but I believe we already have some form of check for controlled goods. Am I right in saying that? The idea is that it is a balancing act between meeting international obligations and causing internal division within the Union. I am not going to pretend this is a simple thing.

Sophie Dean: As you know, the protocol commits to unfettered access between NI and GB. The command paper said in May that this essentially means no change to processes and checks from today. The minimal checks we have to do today for things like endangered species and the licences that are needed will continue, but there are no new additional checks.

Q158 Harriett Baldwin: Lord Agnew, can we focus now on people? HMRC has been recruiting additional people to help with all these processes. Can you update us on how many additional staff HMRC has hired compared to how many it needs?

Lord Agnew of Oulton: We were estimated to need just over 7,000 permanent staff for 1 January. At the last count, we were up to just under 6,000. It was 5,800, from memory. I am seeing a weekly update on how that recruitment is being added to the cohort and how the training is being progressed to make sure they are battle ready from 1 January. On top of that, contingent labour is being hired for the manning of the physical sites. We are looking for about 850 people to be in place by 1 January. I am confident that is being managed in an orderly process and we will have that resource in place for D-day.

Q159 Harriett Baldwin: I am hearing that this is an area where you are fairly confident you are going to reach your target for 1 January and that people will have had enough time to be trained in how to do these jobs.

Lord Agnew of Oulton: Yes, you kindly asked me a question about something I have some visibility over.

Harriett Baldwin: That was my intention.



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Lord Agnew of Oulton: I focused on this very early on. I get a weekly update on the numbers recruited to ensure we are not going to be caught out.

Q160 **Harriett Baldwin:** Are you 100% confident that you will have the HMRC staff and that they will be sufficiently trained?

Lord Agnew of Oulton: I never like saying 100%; I got in trouble with one of your colleagues earlier. I am at 99%, yes.

Q161 **Harriett Baldwin:** Turning to Border Force, I would ask the same question. I imagine you have slightly less control over the numbers of Border Force staff, but can you update us on what you have heard from colleagues on that?

Sophie Dean: As you rightly say, Border Force administers customs at the border on behalf of HMRC. It is recruiting over 1,000 FTE this financial year, of which it is on track to have 670 in place for January and the remainder for July. For completeness, it is worth saying that this is on top of 900 it recruited last financial year, 300 for its mobile readiness unit and 600 for its customs compliance work. All reports from Border Force that come to Lord Agnew suggest that is all on track for this year.

Q162 **Harriett Baldwin:** Does that mean not just recruited but sufficiently trained?

Sophie Dean: Yes, recruited and trained.

Q163 **Harriett Baldwin:** You probably do not have direct responsibility for the recruitment of vets, but everyone knows we are going to need more vets in terms of export health certificates. Can you update us on what you are hearing from colleagues on the numbers of vets?

Sophie Dean: We are hearing that positive progress is being made, but I suggest that we write to you with the specifics. We will consult with our Defra colleagues to make sure we have the precise numbers for you.

Q164 **Harriett Baldwin:** This is very important. You absolutely need the vets, or exporters will not be able to get the correct documents in place to export relevant items after 1 January. Is that correct?

Sophie Dean: Yes, that is correct.

Q165 **Harriett Baldwin:** This could be quite a serious bottleneck.

Sophie Dean: As we understand it from our Defra colleagues, that is all on track. Again, it is best if we write to you with the specifics, if we may, so we do not misquote them.

Lord Agnew of Oulton: To reassure you on that, I was in an XO meeting when the Defra Secretary of State was grilled on this about a week or 10 days ago. He gave a very comprehensive explanation, but I do not have the numbers of vets to hand, so we will submit that to you as part of our written response.



Q166 **Harriett Baldwin:** Can I ask about the prioritisation of day-old chicks, fish and shellfish from Scottish harbours to make sure they reach the relevant markets without any impediment? Do you have an update on your confidence level of that being achieved?

Lord Agnew of Oulton: It is called colloquially “fish and chicks,” and it is a matter of high priority. Rather than ad lib on it, I would rather give you a written response, because I know these are considered areas of particular sensitivity for obvious reasons. Let us give you a proper written response on that.

Q167 **Harriett Baldwin:** Will that written response include the power to compel French authorities to let shellfish and day-old chicks skip the queues?

Lord Agnew of Oulton: That was discussed in the XO meeting I was part of in the last few days, but I cannot give you a specific answer on that. I will make sure we give you as clear an answer as we can.

Q168 **Harriett Baldwin:** What I am hearing—correct me if I am wrong—is that you have discussed it in the committee as an issue and a problem. I have not heard you say that they have got it solved.

Lord Agnew of Oulton: Rather than use the word “problem,” I would say it is an area of specific focus. It is an issue that has been moved to the top of the agenda as something that is pretty important, and it is being worked on. Because it is so important, I do not want to give you a bland, generalist answer. I would rather get you the proper response from Defra and put it in our follow-up to you.

Q169 **Harriett Baldwin:** Can you give us your latest thoughts on how many customs agents are going to be needed to ensure the customs system flows smoothly for the companies that are not used to doing customs declarations?

Lord Agnew of Oulton: As I mentioned to an earlier questioner, I was worried about capacity in the sector, so we commissioned a survey with Ipsos MORI, which has spoken to some 500 intermediaries in the last week or two. We are now reasonably confident that they have uprated their capacity to handle the increased volume. I can give you the example of one firm in particular that is doing a lot of very low-value ones, but it is going from literally nought to nearly 100 million transactions with systems it has designed and put in place for January.

When I first arrived in this role in August, my initial concern was with the lack of trader readiness. We made a lot of noise about that, and then we found there were not enough customs intermediaries to pick up the slack. I feel more confident now that there is sufficient capacity in the intermediary sector to handle this.

One of the best indicators of that is that the prices being charged for the provision of these services have remained relatively static, from our



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market intel. It is very hard to be specific, because it is not a regulated industry and we do not have a registered number of intermediaries out there. There are quite a lot of small operators. We reckon that about 80% of them have less than 10 staff, so it is a very fragmented industry. There is a plus there, because it is easier to double from 10 to 20 people than to double from 1,000 to 2,000 people.

Q170 Harriett Baldwin: Another metric would be how much of the £80 million training budget for customs agents has been spent. Can you update us on that?

Lord Agnew of Oulton: Not enough. We have just written out again to exhort them to get on and draw down the money. There is this problem with state aid, which has limited the amounts the larger firms can get, but I wrote out again in the last week, from memory, to exhort them.

The other thing we are doing is disengaging the training element from the grants, because training is not subject to state aid in the same way that the general grants we were originally offering are. We have now written to the European Commission. We do not have to get permission; we just have to write and tell them, which we have done, that we are tilting this more to a training grant rather than a general grant. That will make a big difference.

Q171 Harriett Baldwin: Has any of it been spent?

Lord Agnew of Oulton: Yes. I will get Katherine to give you more precise numbers.

Katherine Green: The £84 million was released in two tranches. The first tranche was £34 million, and that was earlier in the year. That has been fully allocated. The second tranche was £50 million, and that was launched earlier in the summer. Of the £50 million, the latest figures are that £18.4 million has now been applied for, and over 1,000 firms have applied for that. Those numbers, though, are changing very fast. They are changing daily and weekly, so we will be able to give you further updates as they increase.

Q172 Harriett Baldwin: Logistics UK gave our Committee evidence to say they thought perhaps 50,000 customs agents were going to be required and that only half the supply of customs agents needed had come forward. Is that a good reflection of the current picture?

Katherine Green: That particular number is not one we use or recognise, although it is true that the number of agents will need to increase. The issue is, as Lord Agnew said, that the sector is very varied and diverse, and they use very different business models. This is not necessarily just about recruitment; this is about innovation and the use of technology. The grant funding that has been applied for, as I talked about earlier, can be used by businesses in a number of ways. They can use it for recruitment, but they can also use it for retraining and IT. You



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can see that they are using a number of different business models to achieve the capacity increase.

Q173 **Harriett Baldwin:** You are acknowledging that there will need to be more people in a trained position and competent by 1 January, and we are not there yet.

Katherine Green: Yes, it is obviously likely that there will need to be some new recruits in the sector, but 50,000 is not a number that we recognise or are tracking.

Q174 **Harriett Baldwin:** Do you have a backup plan?

Lord Agnew of Oulton: Do you mean if we do not get that level of recruitment by the various D-days?

Harriett Baldwin: Yes, if we do not have enough or if we have not trained enough.

Lord Agnew of Oulton: As Katherine mentioned, with money that has come partly from this grant system but also from investment by these firms, they have uprated their technical capacity. To take a simple analogy, if one FTE could previously handle 50 applications a day, by improving their tech that one person could now handle, say, 80. I am making the numbers up illustratively, but we have seen a lot of technical enhancement in the sector over the last few months.

As I mentioned earlier, I have spoken to both Logistics UK and the British International Freight Association. They are seeing a lot of innovation, and they are less worried. If you asked Elizabeth again, the witness you referred to, I think she would be less worried than she was when she gave that evidence to you a few weeks ago.

Q175 **Harriett Baldwin:** I notice you did not mention the Road Haulage Association in your list of organisations just then. I know Michael Gove described it as not necessarily the most constructive partner at every stage in the conversations. How has it not been constructive?

Lord Agnew of Oulton: The brutal reality is that it is not a big trader with the EU. It is an internal domestic association with less than 5% or 10% of its members regularly trading with the EU. The reason I mentioned those two are that they are more relevant to the issues we are facing, which is moving across the border. Following the logic of that, if you hire an Estonian lorry driver, he or she is going to be paid about half what a British lorry driver would be paid, and therefore those people doing a lot of trade into Europe will use foreign lorry drivers. While the RHA is perfectly entitled to make whatever comments it wants, I am more interested in talking to the sectors that are more integrally involved in this.

Q176 **Harriett Baldwin:** In your follow-up to us in writing, it would be helpful to know your perception of the current state of play in terms of customs agents compared to when Elizabeth de Jong gave us her evidence, which



was a few weeks ago.

Lord Agnew of Oulton: We will certainly do that.

Q177 **Siobhain McDonagh:** The Government have announced that lorries will need a permit to get into Kent. Who is going to enforce this?

Lord Agnew of Oulton: My understanding is that the permit is simply the smart freight app. If stopped by the police or other traffic management people in Kent, the driver can demonstrate that he or she has been cleared to go, basically. It is a simple traffic light system: red means go back; orange means you go to a holding area, because you nearly have your papers in order; and green means you can head to the port. I believe the plan is that the driver will show that to the police or whoever and, if they are on a red, they get fined.

Q178 **Siobhain McDonagh:** Is it the best use of the police's time to chase after lorries on the motorway because they do not have the right paperwork? If I was a resident in Kent, I would not want the money that went to Kent Police to be used for this purpose. I would want to know where the money was coming from.

Lord Agnew of Oulton: You would want it, as a resident, if it stopped the roads being completely gridlocked with lorries that should not be there. Probably what will happen is that there will be an intense campaign for the first month or so where a few lorry drivers, or maybe a lot of lorry drivers, do not have their paperwork in order. They will get stopped, get fined and have to trundle all the way back to Birmingham or wherever it is with a full load. They will get a rocket from their depot manager, they will get their act together and they will not do it again. It is genuinely a very good use of police time over a limited period.

Q179 **Siobhain McDonagh:** In my area, my residents would want me to be more worried about street drinking and violence. Is the number plate recognition infrastructure in place to flag lorries that do not have the correct paperwork?

Lord Agnew of Oulton: We are not at the level of sophistication where you can link registration number to smart freight app readiness and then selectively stop them on that basis. My team may want to correct me on that, but we are not there yet. That is the nirvana we will work towards, I am sure, over the next months, maybe. It may take longer.

Q180 **Siobhain McDonagh:** The Driver and Vehicle Standards Agency has ANPR cameras up and it can see. What work has been done on the possibility of connecting with them?

Lord Agnew of Oulton: Again, I am going to have to defer to DfT. I know there was a discussion in an XO meeting recently about special cameras that were going to be set up on the entrance to the M20, from memory. That is exactly the sort of thing you have in mind, but it would only be fair to you that we give you a bit more information in the written response.



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Q181 **Siobhain McDonagh:** How will the smart freight system pick up people taking goods in vehicles other than lorries?

Lord Agnew of Oulton: It is not designed for that. There are concessions that we are agreeing on vehicle loads in Transits and so on. I can defer to my colleagues, perhaps, to give you a little information on the concessions we are doing there.

Sophie Dean: We will get you the full details from our colleagues in BPDG, who are leading on smart freight and “check an HGV is ready to cross the border”. My understanding—as I said, it is being tested this week for people to have access to the system—is that we will be using ANPR cameras and vehicle registration identification. As Lord Agnew says, from our point of view, when it comes to the facilitations, that is all set up in the HMRC infrastructure on the transit side. Specifically on readiness for EU controls, “check an HGV is ready to cross the border” is really important.

Q182 **Siobhain McDonagh:** How will the smart freight system deal with false negative flags, when lorries do not have a smart freight permit because they are entering Kent but are not heading to the Dover border?

Sophie Dean: The best idea is for us to give you that in written form from the Cabinet Office, which is leading on the development of smart freight and “check an HGV is ready to cross the border”.

Q183 **Siobhain McDonagh:** How can a Kent permit tell if a driver has filled in their paperwork correctly as well as having filled it in at all?

Sophie Dean: That is all part of the system check. The driver checks against the app as to what they need to have completed. They then self-certify that it is correct and the permit is issued. We have some very good descriptions from the Cabinet Office of what it is setting up, so we will send all of that to you in writing.

Siobhain McDonagh: Thank you. Those are my questions. I would be worried if I lived in Kent.

Chair: That brings us to the end of this session. Can I thank everybody who has contributed on the panel today? It has been a very useful discussion. There are some very big issues, some very big challenges and a great deal at stake. Of those challenges, as we have identified and as we know, a number are externalities that Government, sadly, are not going to have much control over in terms of the things we are discussing. One thinks of the long-term ongoing uncertainties that there have been, for example, around the negotiation with the EU27, the coronavirus and how the French may or may not respond as we go forward beyond the end of this year.

There are, however, lots of areas we are in control of. This session has probably thrown up quite a few outstanding questions the Committee has. We should recognise, Lord Agnew, that we have gone into areas and asked you questions that are outside your remit. We appreciate that you



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have agreed to write to us on a number of those particular matters. We have also asked a number of very detailed questions, which probably the officials were sitting on the side lines anxious to answer, but we did not have time to come to you at those particular points. Thank you again, Lord Agnew, for agreeing to write to us on a number of those points.

There are a number of areas that you have accepted you are quite concerned about, Lord Agnew. One thinks about Northern Ireland, trader readiness and how ready the customs agents are. While we have had many helpful answers in this session, it is fair to say that a number of questions have arisen in our minds as we have gone through this session, so it would be appropriate for the Committee to write to you, having reflected on this session, to set out further questions that we may find useful to put to you. I would be very grateful if you would be happy to respond to that, and to do so as quickly as you are able.

Thank you again, Lord Agnew, for appearing before us. Thank you, everybody, for battling away with the technology issues we were confronted with. It is one of those things in life that we seem not to be able to avoid. We hope it happens as infrequently as possible, particularly in the context of the kinds of matters we are discussing today. I will conclude by thanking you very much indeed for your time, Lord Agnew. Thank you for the very helpful responses we have had from officials as well.