Select Committee on the European Union

Sub-Committee on EU Goods

Corrected oral evidence: Post-transition customs IT systems and sector preparedness

Monday 9 November 2020

11.30 am

Watch the meeting

Members present: Baroness Verma (The Chair); Lord Berkeley; Baroness Chalker of Wallasey; Lord Faulkner of Worcester; Lord Inglewood; Baroness Kramer; Lord Lamont of Lerwick; Lord Lilley; Lord Russell of Liverpool; Lord Shipley; Lord Turnbull; Lord Wood of Anfield.

Evidence Session No. 2 Virtual Proceeding Questions 9 - 22

Witnesses

I: Sue Roberts, Director of Customs Transformation, HMRC; Mark Denney, Director of IT, EU Transition and the Chancellor's Covid-19 Schemes, HMRC.

Examination of witnesses

Sue Roberts and Mark Denney.

Q9 **The Chair:** Welcome to the second evidence session today. A warm welcome to Sue Roberts, who is the HMRC director for customs transformation, and Mark Denney, the director of IT, EU transition and the Chancellor's Covid-19 schemes at HMRC. You will be sent a transcript after the live event, which is being broadcast. If there are any errors that need to be corrected, if you would please send them back to us as quickly as possible. This is the second session in a series of one-off sessions. We look forward to hearing from you this morning. I am sure you will have listened to our previous session, which will have given you food for thought before you joined us.

I will start with the first question, if I may. I am not asking for introductory remarks as I am sure you can make them when you begin your responses to our questions.

Sue and Mark, smooth border operations at the end of transition will rely on a functioning and well-integrated customs IT infrastructure. For the benefit of the Committee, could you set out the key systems that HMRC is developing to support the movement of goods across the GB-EU border, and are you on track to deliver them in time for the end of transition?

Sue Roberts: I will cover the answer to that question. On the IT systems that HMRC is delivering, we are on track to the agreed scope, and we are delivering to plan. We do not underestimate the complexity of the delivery; the limited time means that we carry that risk.

On the key systems that we are delivering, you will have heard of the CDS, the customs declaration service. That is a live service, and we are making changes to it to focus on Northern Ireland trade. We are focusing the CDS on Northern Ireland because it is UCC[1] compliant and it will have the capability to manage a dual tariff, which CHIEF would not have the capability to do.[2] We are on track and are making the service ready for the end of the transition period. Our confidence level continues to increase, as we move through those plans and meet those milestones.

CHIEF is the current customs platform. It is a primary system that will be delivered live for GB declarations, for controlled imports and exports from January, and for all imports from July.[3] We did a lot of work on CHIEF for day one, no deal; and we have scaled that service to over 300 million declarations. During this period, we have continued to scale CHIEF. It is currently scaled to 350 million declarations, and we will continue to do

[1] Union Customs Code
[2] HMRC officials stated that a dual tariff is a requirement of the Northern Ireland Protocol.
[3] HMRC officials stated that CHIEF is the: "current primary customs platform for the UK dealing with Rest of World trade. From January it will also be used for GB declarations, for controlled imports and exports, and for all imports from July."

work to get it up to 400 million declarations in time for July. Delivery of that, again, is on track against our plans.

We are changing two safety and security import control systems. One will be the safety and security system for GB, for GB goods entering, and the second is the safety and security for Northern Ireland, for goods entering Northern Ireland from GB. We have completed the build of those two systems, and we will be ready to deploy for 31 December.

The fourth system is a transit-related system. It is the New Computerised Transition System, the NCTS, and is a current system. It receives declarations and processes transit documents. Most of the changes that are needed were made for day one, no deal; but there are some small changes that will continue to be made for the end of the transition period. Again, we are on track to complete those in time for 31 December.

The final system I want to mention is the Goods Vehicle Movement Service, which is a new service that provides us with the ability to achieve customs controls without impacting flow at the ro-ro ports. It will also support transit movements digitally. HMRC's delivery is on track. We have completed the build phase of that system, and we are now in the test phase for the GVMS. A system called the EMCS manages excise systems and movements. We are on track for delivery of EMCS, ready to apply those changes, for 31 December.

The Chair: Mark, do you want to add anything?

Mark Denney: That was a good description. At the moment, I think that is more than enough information about the key systems.

The Chair: Thank you. I know that colleagues will want to come back to what you have just said, Sue, and to the witnesses prior to this session. I will leave my questions until the end.

Q10 **Lord Lamont of Lerwick:** What is the testing schedule for each of the systems, and when are you planning to make them available to businesses for testing and familiarisation? Have you engaged with UK business throughout the development phase, and how will you engage during the testing phase?

Sue Roberts: I will talk first about the CDS and the changes we are making to the CDS for the Northern Ireland protocol, which are mainly about the dual tariff requirement. We have continued to engage with the software developers and the CSPs[4]. We have a very robust and mature relationship with those delivery partners. We provided them with technical specifications through the summer, from July onwards, and we have made releases into the trade test service. The most recent release, which was focused mainly on the Northern Ireland changes—the dual tariff—was put into trade test on 15 October. That allows them to test against those specifications.

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[4] Community Software Providers

We shared the specifications for the GVMS for the carrier API[5], the haulier API and the port API at various dates through July: 17 and 22 July. Something called a sandbox environment was made available to them on 7 September. We are reaching out to the haulier community to test a web user interface. We have been testing that. There have been various rounds of testing of that user interface with the haulier community. I think we have completed three rounds of testing with them since 7 September.

We issued safety and security specifications through the summer and made the test environments available to them. We are confident from the assessment that we have had back from our software developers that they will be ready for December. The changes for the NCTS are small. The feedback we are getting is that they have been testing, and they are in test environments and will be ready for the end of December.

Q11 **Lord Lamont of Lerwick:** On the dual tariff regime, do you assume that 100% of goods going from GB to Northern Ireland might be goods at risk, or do you apply it only to a proportion of goods? Are there exemptions or is there a different regime for regular suppliers to supermarkets, for example?

Sue Roberts: I do not have all the detail of the goods that will be at risk or not at risk. I am sorry. There will be codes that identify goods where different tariffs need to be applied for. That is part of the work that is ongoing at the moment in the negotiations. The tariffs will be available, and, depending on the commodity code that is input, different tariffs will be applied.

Q12 **Baroness Kramer:** Hopefully, the witnesses will have heard the Association of Freight Software Suppliers and the UK Association for International Trade pretty much tearing their hair out over the CDS system. The kind of phrases we heard were "unnecessary", "unready", "descoped", "cumbersome", and "takes five times as long to fill out as any form for CHIEF".

Given that this is where the metal hits the road, do you have any concern that customs software providers are unlikely to be able to update their products in time for 1 January, given the lead-in time? We understand that the system will not even be delivered until late November or early December, and then testing and deployment have to follow. I want to get your views on that particular set of issues. Could you tell us about the engagement you have had with software suppliers to date, and how you have responded to their concern?

Sue Roberts: Certainly. I will talk about the engagement we have had to date. As I say, software developers and CSPs have been part of what we would call a delivery partner in HMRC. We have a mature relationship with those two communities, and we involve them in our technical development. They are part of our governance, and we have various

[5] An API (Application Programming Interface) is a computing interface that, in simple terms, allows two pieces of software to communicate.

regimes and engagement forums that they are part of. We provide them with one-to-one technical support and business relationship managers.

I feel that we have a very strong relationship inside HMRC with those software developers and CSPs. As I said, we were providing them with technical specifications through the summer. We recognise that there are challenges for those communities. There have been more than CDS requirements placed upon them. As I say, they have been making changes to a number of systems, and we have been working closely to assess their readiness for those systems. We continue to track the readiness of the software developers and the CSPs. When they encounter challenges and difficulties, we provide them with support to ensure that they are as ready as possible.

On the timelines for CDS and their release, the latest release for them to trade test was on 15 October. We recognise the challenges they face and the fact that they, of course, have to roll out to their customers. Part of the government response has been to bring in phased controls from July onwards, and to provide the trader support service for businesses that will not be ready by the end of the transition period.

Baroness Kramer: If I could just clarify that, are you basically saying that they are exaggerating and they are wrong?

Sue Roberts: No. They have a lot to do, and we recognise that challenge. We are tracking and supporting them so that their products will be ready. Some of them are more mature and ready than others. There are individuals who report that they will be ready at the end of December, but certainly not all of them. We recognise that that is a challenge for the trade. That is why the Government decided on phased controls and provided the trader support service.

The Chair: Mark, do you want to add anything?

Mark Denney: Not at this point. I have nothing more to add.

Q13 **Lord Berkeley:** You may be aware that I put down a Written Question a month or so ago asking how many IT systems were covering this sector, what their state of readiness was and whether there were any contingencies or fallbacks if they did not work.

You have more or less told us that there are six different systems. I had heard that there were 10. The answer only gave me two or three, but no matter. You are basically saying that everything is on programme, the IT is going to work, and the programme was agreed by whoever had to agree it. From previous evidence, some of the customers clearly did not think that was quite the case. Can you tell us what contingencies you have built in? What is the fallback if some of these systems, particularly the CDS, about which there seem to be quite a few doubts, do not actually work and do not have enough people who are able to make them work?

Sue Roberts: On the systems, as I said, and as you reported, for HMRC IT delivery we are on track against our plans. We recognise that there are risks associated with that. The test windows and the time are very compressed. We are putting in place and strengthening our support arrangements so that, in the event that there is an issue, we can respond quickly to any issues that arise as we progress. Through the period from the beginning of January onwards, we will be providing additional support services, with technicians who will be available should any issues occur with our IT systems.

We are looking at our fallback positions with regard to our ability to stand up back-up systems and services. We are working through those scenarios at the moment. We will, of course, communicate that with industry externally as soon as any of them needs to be communicated. We are confident from an HMRC IT delivery perspective that we will meet 31 December for the systems that I set out for you. We are strengthening our support arrangements for the beginning of January.

Lord Berkeley: You are clearly confident that HMRC will deliver the systems for everything. Are you confident that the industry will have enough time to learn them, trial them and make them work? I am not saying you are doing this, but some Ministers are clearly blaming the industry if things go wrong. They must realise that industry needs time to learn these things and try them out. I hope nobody is going to start blaming industry because it has not kept up with a timetable that obviously suits HMRC but is difficult for industry.

Q14 **Lord Faulkner of Worcester:** I would like to ask about the customs IT systems that are operated by EU member states and how familiar our own traders and customs agents will be with them. What do you think they need to do to make themselves more familiar and make sure that they are able to work together properly?

Sue Roberts: I am afraid that I do not have all the information for EU trade systems. I know that they would not necessarily interact directly; it would be through a GB front end. Various amounts of guidance and communications are available, but I am afraid I do not have any more information on EU trade systems. I am sure we can provide that for you.

Lord Faulkner of Worcester: It would be helpful if you could. I have a supplementary question, which is perhaps rather more topical. A report of the Audit Commission came out on Friday that painted a picture of not quite the degree of readiness you have described to us this morning. Have you had a chance to study that, and do you have a view on it?

Sue Roberts: I saw the NAO report. It referenced the CSPs and the GVMS. The report was completed in October, as I said, but against our delivery plans we are confident that we are on track to deliver the systems and changes that will need to be made. We recognise the challenge for trade and industry to be ready. We have provided responses to the NAO on that report and given an updated position on our delivery assessment.

Lord Faulkner of Worcester: Thank you, and thank you for correcting me. It was not the Audit Commission but the NAO, as you rightly say.

The Chair: Mark, do you have any comments?

Mark Denney: That was a point-in-time assessment, obviously, and since that point we have been working very hard to bring our systems readiness up to scratch. We are finding our way through testing at the moment. We are bringing the systems together in integration tests, and day by day our status is getting better and better, so we are gaining confidence as we go through the testing period. We are now in a period where we are preparing ourselves for implementation. Sue is absolutely right: we have high confidence that we will deliver that suite of systems for 1 January and beyond.

Q15 **Lord Inglewood:** I would have been very disappointed if either of our witnesses had suggested that there was anything not quite right. However, looking at the whole process and the set of procedures you are overseeing, where might be the least robust part of the whole?

Sue Roberts: On the end-to-end delivery of readiness for the end of the transition period, the trade having the time and readiness for that date is certainly where we have the highest challenge. We took account of some of that by bringing in phased controls for July. There is, across government, momentum in the communications campaign and guidance.

I can talk specifically to the work that we are doing inside customs transformation HMRC for the systems that I have responsibility for. We are running various webinars for the haulier community, reaching out through trade channels and communications, and working closely across government to reach as many traders as possible, to ensure that they are aware of the requirements and what they will need to do, and to support them in their preparations.

The Chair: Sue, is that the contingency plan? If I am hearing right, your contingency is to be able to do it phase by phase, so that if there are any gaps you plug them as you go along through the phased system.

Sue Roberts: In July, in response to the fact that businesses were pressured because of Covid-19, we certainly recognised that there was time and pressure on industry to be ready. The Government took the approach of bringing in phased controls, to give extra time for preparations.

Since then, we have been, inside HMRC, working very closely with CSPs and software developers and the port communities, including the haulier community, to support them to be ready for what they will be required to do for January, as well as assessing their readiness for January and for July, and providing them with as much technical support as possible. Technical teams are available, and we have various engagements and one-to-one relationships with carriers, ports and various trade organisations.

Q16 **Lord Turnbull:** I would like to follow up on the questions asked by Lord Faulkner. This Committee has for months been taking evidence from participants—traders, intermediaries and government agencies—about the state of readiness. If we get any answer at all, and that is not always guaranteed, it is generally of the "It'll be all right on the night" kind. We have heard some more of that today.

Generally, we have found those assurances unconvincing, and we are not alone. In the recent NAO report, in paragraph 13, we see the same pattern: "Departments told us they have a reasonable degree of confidence in being able to deliver the minimum operating capability by 1 Jan 2021". But it then says: "BPDG assessed that there was a high risk that not all the infrastructure would be ready by 1 July 2021, rating the risk amber-red … BPDG also rated amber-red the risk that resources would not be ready in time".

Ms Roberts, you are a graduate of the Major Projects Leadership Academy, so you know what amber-red means, but for the record: "Successful delivery … is in doubt with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and establish whether resolution is feasible."

Clearly, we are not alone in our scepticism. With CHIEF and the CDS you have three things to do: first, hugely expand the capacity of CHIEF; secondly, sort out the CDS, which people think is very complicated; and, thirdly, organise a migration between the two. It is not simply a question of getting the systems ready; you have to get the users ready once you are ready. Can you manage all that?

We hear a lot about what is going on in the UK. We hear about lorries and queues in Kent and so on. What we do not hear much about is what is happening on the other side. Are there going to be queues of lorries in Calais, Zeebrugge and wherever else? Are they as ready as we want them to be? If the lorries cannot get to us, we will have no lorries to send back. Could you address those questions, and try to be as frank and as candid as you can be?

Sue Roberts: I will try to answer the question on the IT systems. You mentioned CHIEF and the scaling of CHIEF. As I said, we have scaled CHIEF to 350 million declarations already and we are on track to 400 million.

You referenced migration to the CDS. The CDS is a live service. Our priority is to work with businesses for CSPs and software developers on their migration plans from CHIEF to the CDS. That is a priority for us over the period. We know that not everybody will be ready, so the Trader Support Service is in place and will support Northern Ireland traders who need to make declarations on the CDS.

The infrastructure you referenced is not my area, but I am certain that we can provide you with an updated position on where we are with the infrastructure that will need to be in place for the end of December.

We had a plan in place for the migration from CHIEF to the CDS. That plan has to pause to enable us, the CSPs and industry to prepare for the end of the transition period. Our focus will certainly be on bringing in Northern Ireland businesses that need to migrate to the CDS as a priority.

Lord Turnbull: We will see who is right on that. I want to record one point. It is not simply a matter of when you are ready. It is when the users of those systems are ready. They need time, once you have done your work, to do their work. I think we have found that that time was not available.

Could you comment on the question of whether there will be problems on the other side of the channel with lorries trying to come in this direction?

Sue Roberts: On movements coming across from the EU to GB, we have developed a model called a pre-lodgement model. That is a model that would encompass the pre-lodgement of declarations in order to facilitate the flow of goods. Declarations will be lodged before arrival at the port. That is why we have developed the GVMS—the Goods Vehicle Movement Service—to enable there to be flow through ports in the EU. Goods will be risked and a response will be made for them before they disembark from the ferries or from the train.

Q17 **Lord Wood of Anfield:** I want to go back to the CDS issue. You appreciate that there are clearly challenges in the absorption of so many different system changes. I take that point, but the evidence we heard before was not just that there are serious challenges. The evidence was quite stark: the systems do not work and they will not be ready in time.

Are you saying that that is a mistake on their part? I understand that you know that there are challenges, but witnesses went well beyond saying there were challenges. A related point is that an issue was raised about contingency planning in the case that the IT systems do not work. It was suggested that HMRC is pursuing what was called a cloak and dagger approach and that there is not much transparency or co-operation over contingency planning. Would you like to respond to that?

Mark Denney: I can kick off on the first bit, and then Sue can pick it up. I cannot really comment on the cloak and dagger bit on how we are working with the industry. That is not my bit, but I can talk about the technology side.

The CDS system itself is already a live system. We have live declarations going through the system. It is up and running. It is very stable and has been for quite some time. As regards some of the conversations around it being more difficult, it requires more fields to be filled in because it is UCC compliant. When a system is UCC compliant, there are more demands for data that needs to be shared with the European Union. You might call it cumbersome or you might say that it just takes a bit more filling in than it would do for CHIEF when it is not UCC compliant. That is where the difference can be seen from that point of view.

The system itself is flexible and modern. We have plans for it to become the single system across all regions that we serve, not just Northern Ireland but GB as well. We are currently working through some plans that will develop the system over the next couple of years. We will do a full migration of everybody on to the CDS, ultimately. It is a live system and there are declarations flowing through it as of today. It is a stable, implemented system, but it is a bit more complicated than CHIEF because of the UCC side of things.

Sue Roberts: Like Mark, I cannot comment on the cloak and dagger comment about HMRC's perspective for contingencies. We have been giving clear information on what will be required for the end of the transition period and what systems will be in place. We have provided guidance, and we are providing technical support to those who need to make changes to their systems, providing them with technical specifications and access to the test service.

For traders, as I said previously, there are ongoing communication campaigns and various channels, some of which are cross-government and some of which are HMRC led, to support traders to be ready.

Q18 **Lord Shipley:** Could I ask two questions of Sue Roberts? The first relates to the statement she has made several times that HMRC was on track. However, businesses can only be on track when they know what they have to do. Paragraph 16 of the NAO report published on Friday concludes: "The Government has not yet facilitated the required expansion of the customs intermediary market, which is vital for increasing trader readiness".

There is clearly a lack of capacity. Added to that was the evidence given to us about an hour ago from the FSB, which said that there is a lack of data on the readiness of current exporters to the EU. Who has the data? Can HMRC tell us how many current exporters to the EU are not ready? What data does HMRC have? If HMRC does not have data, who does?

Sue Roberts: Lord Shipley, I am sorry but I do not have responsibility for intermediaries and for the data you have requested. I am sure that we can write to you about the capacity and what data we hold. I am sorry that I cannot answer that question for you.

Lord Shipley: Chair, perhaps I could suggest that the answer comes in writing to the Committee as a whole and not just to me personally.

The Chair: Absolutely, Lord Shipley. Sue, we will expect that to the Committee, please.

Q19 **Lord Berkeley:** To follow Lord Shipley's comments, I am completely baffled by the statement from you, Sue, that everything is going to be all right and that you are on programme. From the evidence we heard from the witnesses this morning, and earlier, they do not know what is going on. They have not had time to learn the new systems or try them out. It seems to me that HMRC is lacking a major education programme with all the people in the industry. It cannot be very good, surely, for the witnesses we have heard to be so critical of HMRC at this stage, six weeks before the deadline of 1 January. What can you do about it?

Sue Roberts: I can provide you with assurance that from an HMRC IT delivery point of view we are on track. There is an education and communications campaign. I am sure that we can provide more detail to the Committee about what we are doing to prepare and support the readiness of trade for the end of the transition period. I am sure we can provide you with more detailed information available.

Q20 **Lord Russell of Liverpool:** Sue, given the scale of the trade that we do with the EU, and have been doing for many years, and the fact that it normally takes two to tango, as I reflect on the evidence that we have heard from government departments and officials as well as from the private sector, the degree of knowledge of, and the degree of interaction with, our EU partners in trade—whether it is their government departments, their software suppliers or their private sector organisations—does not seem to me anything like as intense and two-way as I would have thought and hoped. Are there any formal or informal routes by which you are able to interact, talk with and understand one another, or are you operating in isolation?

Sue Roberts: The Border and Protocol Delivery Group, which is part of the Cabinet Office, has a cross-government view of relationships with the EU. I know that specifically for the systems, and the work we are doing to roll out some of those systems, we have been involved in seminars with EU member states providing information. I am afraid I do not have more than that. The Border and Protocol Delivery Group would be able to provide more information about EU member states and their trade systems.

Lord Russell of Liverpool: Mark, do you have any comment?

Mark Denney: It is not my area. Basically, I am the guy who delivers the solutions. I bring the technical infrastructure to bear. My expertise is in making sure that we have the IT infrastructure in the various states of deployment as we go forward to 1 January next year and July. I would have to revert to Sue and the other team to get more detail, unfortunately.

Q21 **Baroness Kramer:** Perhaps I could go back to a question I raised with our previous witnesses this morning. It is to try to understand how the IT systems are going to work, given that when the ro-ros select which port they will go to in the UK, and which destination port they will arrive at on the continent, traditionally those decisions have been made very much at the last minute depending on levels of congestion and a whole lot of other factors, such as changes in price. Is that flexibility accommodated in the IT systems that are now designed, or is it, in a sense, eliminated by the IT systems as they are now designed? Of course, that would matter from both sides.

Mark Denney: Before we left the EU, it was obviously a lot easier to move goods around. There will be more paperwork, which we are talking about, and more controls needed as we leave the EU. Some of those controls, in a lot of instances—the GVMS especially—specify the port and the carrier that you are going to be using for the particular service. I do not know if that implements more restrictions and makes things more inflexible, but it means that you have to do more preparation; you have to be prepared to fill in the appropriate paperwork ahead of time, do your declarations and make sure that you are operating the controls that we demand at the border.

Sue Roberts: We have built some flexibility into the systems for last-minute changes. For example, if a truck is heading towards Calais and it chooses to go to Coquelles or another location, because of last-minute changes, we have made some changes to accommodate that and provide flexibility.

Baroness Kramer: And presumably on this side as well.

Sue Roberts: I cannot comment. I am very sorry, but I do not have all the information. We have certainly done that when coming across as an import. I am sure there would be similar flexibility, but we can check that and write to you.

Q22 **The Chair:** Are you building in flexibility for businesses that may not be able to comply from the get-go? A number of businesses will make a lot of mistakes right at the beginning. How will you deal with that, so that we do not end up penalising small businesses, or businesses as a whole, because they were not ready or did not understand the system in time?

Sue Roberts: On our flexibility and our response to those who were not ready, I would need to revert to my policy colleagues to write to the Committee. To prepare the trade to be ready and to understand the systems and processes, there have been various communications and guidance made available. Something called the border operating model was originally issued in July or August. A further version went out in October and a subsequent iteration is due in November. That is to support those who have not previously been required to be involved in customs processes to understand what they are required to do.

The Chair: I thank both of our witnesses—Sue Roberts and Mark Denney—for coming in this morning and giving detailed information to the Committee. As I said earlier, if there are any errors in the transcript that is sent to you, would you kindly correct them and send them back to us as quickly as possible? We would be most grateful. Sue, if you could get all those written responses back to us as quickly as possible, it would be very helpful.

On behalf of the Committee, I thank you very much for taking time out of your very busy schedules to give us evidence this morning.