HOUSE OF COMMONS

Public Accounts Committee

Oral evidence: UK Border 2020: Preparedness, HC 691

Monday 23 November 2020

Ordered by the House of Commons to be published on 23 November 2020.

Watch the meeting

Members present: Meg Hillier (Chair); Gareth Bacon; Sir Geoffrey Clifton-Brown; Barry Gardiner; Dame Cheryl Gillan; Peter Grant; Sir Bernard Jenkin; Sarah Olney; James Wild.

Also attended: Hilary Benn (Chair), on behalf of the Committee on the Future Relationship with the European Union.

Gareth Davies, Comptroller and Auditor General, National Audit Office, Leena Mathew, Director, NAO, and Marius Gallaher, Alternate Officer of Accounts, HM Treasury, were in attendance.

Questions 1 - 160

Witnesses

I: Alex Chisholm, Permanent Secretary, Cabinet Office; Emma Churchill, Director General, Border and Protocol Delivery Group, Cabinet Office; Jim Harra, First Permanent Secretary and Chief Executive, Her Majesty's Revenue and Customs; Tamara Finkelstein, Permanent Secretary, Department for Environment, Food and Rural Affairs; and Bernadette Kelly, Permanent Secretary, Department for Transport.

HOUSE OF COMMONS

Report by the Comptroller and Auditor General

The UK border: preparedness for the end of the transition period (HC 371, Session 2019–2021)

Examination of witnesses

Witnesses: Alex Chisholm, Emma Churchill, Tamara Finkelstein, Jim Harra and Bernadette Kelly.

Q1 **Chair:** Welcome to the Public Accounts Committee on Monday 23 November 2020. We are here today to look at the crucial issue of our preparedness at the border for the end of this year, 31 December, when the transition period to leave the European Union comes to an end. We have witnesses from across Whitehall to help inform us about those preparations.

It is a long time since Government have had 31 December 2020 in the diary, and this Committee has produced around a dozen reports looking at our preparedness, particularly around the border. It feels a little like groundhog day when we look at the excellent work of the National Audit Office, up to about a month ago—21 October—that highlighted some of the concerns about ongoing preparedness.

One of the key issues to discuss today is how we are prepared for the Northern Ireland protocol. I welcome our witnesses, and particularly the Right Honourable Hilary Benn MP, who is Chair of the Committee on the Future Relationship with the European Union, and who is a guest on this Committee today—a warm welcome to him.

Our witnesses from Whitehall, who are all with us physically today, are Alex Chisholm, Permanent Secretary at the Cabinet Office; Emma Churchill, Director General for the Border and Protocol Delivery Group at the Cabinet Office; Jim Harra, who is fast becoming a season ticket holder at this Committee and is First Permanent Secretary and Chief Executive of HMRC; Tamara Finkelstein, Permanent Secretary at DEFRA; and Bernadette Kelly, Permanent Secretary at the Department for Transport. One can only wonder what is happening in Whitehall when you are all in this room. We are hoping to hear today what is happening with the border.

Thank you, Alex Chisholm, for the letter that you sent us, highlighting some of the updates since 21 October. That still raises some concerns with us. One of the biggest concerns, as I said at the beginning, is that the Committee has produced 12 reports and the National Audit Office has crawled all over this, so why are we still facing some of the same issues and asking the same questions about preparedness, this late on?

Alex Chisholm: Thank you, Chair. I echo your thanks to the NAO for, even by their own high standards, an exceptionally useful and comprehensive Report. It is very timely. It shows the complexity and scale of the preparations needed to be ready for the border at the end of this year. It is, I think, their fourth Report on the subject.

Within that, I highlight that in the Report the NAO mentions that when it was looking at our work from March, it saw that eight of the nine major programmes were rated as high risk, or red. Today, that score stands at one of those nine programmes as still red, which is trader readiness. That is a measure of the degree of progress that we have made in relation to the system, to infrastructure, to customs intermediaries, to data sharing and to all these other important, necessary aspects of being ready for the border at the end of the year.

Q2 **Chair:** I would say that amber means that there is a still a lot to do. We are five weeks away from the end of the year. What are your biggest worries?

Alex Chisholm: First, I would pick out, as the NAO did, that the sheer scale of the overall operation means that there are literally many millions of moving parts. So many things have to change at one time that inevitably there are going to be some difficulties for some individual people as they adjust to the new regime. That’s the first thing.

Secondly, as our own risk ratings highlight, trader readiness has improved, but needs to improve further, particularly when we think about people looking to trade with and export to Europe. We have been told by the European Commission—it is a public announcement—that they would be upholding full import controls for goods coming from Great Britain, so it is important that people wishing to export make the necessary preparations, that they have the EORI number that they need, that they have appointed a customs agent, and also, importantly, made the necessary arrangements with their counterparts whom they trade with in the EU, in order to be ready. That is the point that I particularly highlight.

The third worry—I am sorry to have so many—is that there are now only about five or so weeks to go, and that is a relatively small amount of time for the remaining preparations to be undertaken, not just by us, but by local authorities, businesses and so on. If there is to be an agreement—an FTA—and a matching agreement that we would hope to see from the Joint Committee, there is a relatively small amount of time then to be able to act on that.

Q3 **Chair:** A couple of things. These are the RAG ratings that you have given us in this letter as of 13 November. Have you got more updated ones?

Alex Chisholm: Those ratings are up to date.

Q4 **Chair:** When will the next ones be available, and can we see them?

Alex Chisholm: Gladly. I was keen to write to you because, even since the NAO Report, the ink was hardly dry and already things were changing.

Q5 **Chair:** We hope that, given the timeframe, things are moving. If they are not, we will be in great difficulty.

Alex Chisholm: We would be very happy to write to you with further updates.

Q6 **Chair:** If you could undertake to make sure we have those when they are produced, because, with the timeframe available, we need to see them and then we will work with our sister Committee, chaired by Hilary Benn MP, on that. So that is what you have told us so far. We have very few weeks left. Is there a point of no return for an agreement, which, in a moment, Sir Geoffrey will come in on, whereby you will miss the 31 December deadline?

Alex Chisholm: Effectively not. That is ultimately a matter for the negotiating parties rather than for me, but we have seen that a number of deadlines have shifted. On some of the apparently hard and fast time constraints—for example, relating to parliamentary approval on the European side—there have been some statements to indicate that those are not as hard and fast as we had thought. So, there is still undoubtedly time for a deal to be agreed, and experience of European negotiations suggests that sometimes those agreements are reached later than people had first expected, or indeed wanted.

Chair: Thank you. I call Sir Bernard Jenkin.

Q7 **Sir Bernard Jenkin:** Good afternoon. We will be looking at the issues that you have addressed over these years and months, but why have you addressed only some of the issues raised by the NAO and PAC over the years and months? How have you decided what issues to address and what issues not to address?

Alex Chisholm: I believe that we have addressed all the issues. The NAO has rightly focused on issues such as systems, infrastructure and capacity in the intermediary market, and the readiness of business and traders. Those are the same themes that we have focused on, plus they have also highlighted the need to have resources in the right place at the right time, and legislation. So, I don't think there is any thematic area that we have not been working on in response not only to the NAO's Reports, but to the situation in front of us.

Q8 **Sir Bernard Jenkin:** Perhaps this is more a question for Jim Harra, or maybe for other Departments. There are some things that were raised many years ago and were simply not addressed—for example, the parking areas for the trucks. Why was that neglected for so long, given that it would be an issue?

Jim Harra: I don't believe that it was neglected. We did, in the run-up to a potential no-deal exit, put sites in place, particularly in Kent, to cope with a no-deal exit, but then the second withdrawal agreement was reached last October and approved in January. Since then, we have been working on a revised set of sites to support, in particular, transit movements from January. Those are on track, and we expect to have capacity at those that actually exceeds the requirements on day one.

Q9 **Sir Bernard Jenkin:** Forgive me, but it is hard to believe that the accelerator has been hard on the floor on all these issues throughout the last four and a half years. What difference did it make when the Border Delivery Group was handed over to the Cabinet Office? You are not here to answer why that decision was taken, but can you say what difference it made to the urgency?

Jim Harra: First, in relation to the four and a half years, during that time we have not always had certainty about what the outcome was that we were planning for, so there was a limit to the number of sites I could dig up until I got that certainty. In relation to the Border Delivery Group, it was housed—

Q10 **Sir Bernard Jenkin:** May I just interrupt you? There has always been the possibility of a no-deal Brexit, ever since day one of the invocation of article 50, so the contingency has been there. What is the point of having a permanent and impartial civil service if it does not plan for contingencies that have a clear calendar date?

Jim Harra: We certainly did plan. There was not a clear calendar date, however, until January this year. In fact, there have been several calendar dates, which have consistently moved.

Q11 **Sir Bernard Jenkin:** You have got much longer than anticipated originally, so why weren't you ready for at least what we knew was going to be a contingency?

Jim Harra: As I have said, I am confident that the sites that we need for transit in January will be ready, as will any further infrastructure that is needed for July. In terms of the movement of the Border Delivery Group, that was previously housed in HMRC but gave a cross-Whitehall service. I think it is a more natural home for it at the centre of Whitehall than in HMRC. From my point of view, it was really an accounting move. In terms of the relationship with the group, it has continued in the same vein, but Emma can add to that if she wishes.

Alex Chisholm: I do not think there has been any loss of momentum, and I think it does make sense to have the Border and Protocol Delivery Group alongside the transition taskforce in the Cabinet Office. You will remember that Jess Glover joined us for our previous evidence session in October. From an official perspective, Jess and Emma work very much hand in hand not only under my supervision, but under that of the Cabinet Office ministerial team, led by the Chancellor of the Duchy of Lancaster, who chairs almost daily meetings of XO, looking very closely at issues related to the border and other aspects of EU transition.

Q12 **Sir Bernard Jenkin:** Just a final point. Before the Border Delivery Group was handed to the Cabinet Office, presumably the Treasury had some measure of responsibility. What was the Treasury doing or not doing to support the urgency of this work?

Chair: There is no one from the Treasury here to answer. Alex Chisholm?

Alex Chisholm: It would have been part of HMRC, which comes under Treasury Ministers—that is certainly true. But I think the point that Jim Harra was making, which I agree with, is that, typically, co-ordination work across Government is done by the Cabinet Office, and the Border and Protocol Delivery group is an example of something that is basically a co-ordinating group.

Sir Bernard Jenkin: So it should have happened much more.

Chair: We will give you a chance to come back later, Sir Bernard. Let's go to Sir Geoffrey Clifton-Brown.

Q13 **Sir Geoffrey Clifton-Brown:** First, a rather cheeky question. In our session on 8 October, you said that your boss, the Chancellor of the Duchy of Lancaster, said there was a 66% confidence level that there would be an FTA. What is your confidence level today?

Alex Chisholm: That was his estimate. I have not heard his latest one, to tell the truth.

Chair: We're asking for your opinion.

Alex Chisholm: I tend not to make forecasts, especially for things that are outside my control and influence.

Q14 **Sir Geoffrey Clifton-Brown:** What is your gut feeling?

Alex Chisholm: My gut feeling is probably still that there is a deal to be done that is in the interests of both parties.

Q15 **Sir Geoffrey Clifton-Brown:** Talking of moving parts, we are going to go into a lot of the detail, but let's have a headline to get a sense of how ready people are. There are 11,250 high-value traders. How many of those have applied for an EORI—economic operators registration and identification—number?

Alex Chisholm: Almost all the high-value ones, because if you are VAT-registered it was automatically generated and given to you—that is pretty much 100%. The group to worry about more are the people who are smaller traders, who are not VAT-registered and who have to actually do something to get an EORI.

Q16 **Sir Geoffrey Clifton-Brown:** The obvious question that you are prompting me to is, what percentage of those have applied for an EORI?

Emma Churchill: I think it is about 270,000—that was the latest EORI figure, which means that it must by definition be the group that was auto-issued to, which was around 220,000, and then those others in addition.

Q17 **Sir Geoffrey Clifton-Brown:** So how many have applied out of how many?

Emma Churchill: You can't quite match in exactly that way, and Jim may want to say more in a minute, but there are about 220,000 businesses that are VAT-registered, and therefore obviously known to HMRC and to those people to whom the EORI numbers were auto-issued in the run-up to last October. I believe—Jim will correct me if I am wrong—that the current EORI registrations stand at around 270,000, so I think you would take from that that there are a very significant number of other businesses who have applied for their EORI, but I don't think HMRC could match precisely those groups, if that makes sense to you.

Jim Harra: We can identify just under 150,000 VAT-registered businesses that we know have traded with the EU but have not traded with the rest of the world recently, and therefore did not have an EORI, and we automatically issued them with those. We estimate—although we don't have data that enables us to determine it—that there could be about another 100,000 micro-businesses below the VAT threshold, who will also need to get an EORI number if they wish to continue trading with the EU. There we have relied on reaching them and encouraging them to go online and apply. As Emma says, some of them have, but there remain some who have not, and we continue to push them to go to gov.uk, search for "Brexit transition", and register for an EORI number. It takes five to 10 minutes online.

Q18 **Sir Geoffrey Clifton-Brown:** That is really helpful. Finally, just the top line, Mr Chisholm. On the culture of the hauliers, we know that in 2018, 228 million tonnes of freight went across the EU-UK borders, so there are an awful lot of hauliers. They are going to play a key role in this, but they are going to be required to do an awful lot of paperwork. Do you really think that the majority of the drivers—at least initially—are well enough informed yet to be able to make the decisions as to whether they have got the correct paperwork or not? This is really critical when you start to get into Kent, and they are not going to be allowed in. They face being fined if they do not have the correct paperwork. Do you really think those haulier-drivers yet have the knowledge to be able to make those decisions?

Alex Chisholm: Certainly the information is available. Whether or not they all have taken and ingested that information is another question, but I wanted to bring in my colleague Bernadette Kelly, because the Department for Transport has got a whole plan for how to support those hauliers on the ground with, I think, 45 or so different public—

Q19 **Sir Geoffrey Clifton-Brown:** I am sorry, Ms Kelly, I did not mean to cut you out.

Bernadette Kelly: I am happy to say a few words. Haulier readiness is absolutely one of the key elements of our contribution to this cross-Government effort on border readiness, and there is now a very extensive suite of action in place to reach the hauliers and ensure that they are ready. To go through it, we have stepped up the campaign, "Time is running out", since October, using billboards, radio—places where we think hauliers are likely to see messages directing them to the "Check an HGV" site, which my colleague Emma can talk to you about in more detail.

In addition, we issued our haulier handbook last week, on 18 November, and that is online today, I believe, in Polish and Romanian. There are other languages coming, too, so that it is all available in multiple languages. We have 44 of our 45 information and advice sites up and running. These are places where hauliers can stop and get direct advice on the paperwork and preparation that they need to do. Very often, that advice will be available in various languages as well, because of course only a small proportion of hauliers will necessarily be from the UK. We are using the DVSA's database of 80,000 hauliers to give them regular updates and information feeds.

It is a really exhaustive effort to reach out to the haulage industry and make sure that it knows what to do. We are working very closely with the industry bodies—the RHA, Logistics UK, and so on—to ensure that we really are reaching their members.

Chair: We have some areas we want to drill down to later, but there are a couple of areas to cover before we get into that. I will ask Hilary Benn MP to come in.

Q20 **Hilary Benn:** I have a question for Mr Chisholm. You will no doubt have seen the outline of the draft agreement. If there is one, will bits of it require legislation to be passed by Parliament, and if so, will that legislation have to be on the statute book by 31 December, or can it be done slightly slower than that?

Alex Chisholm: On the first of those questions, I think you are right to anticipate that if there were to be an agreement, it would require some legislation in Parliament. As for which parts of that agreement we could get by without having on the statute book by 31 December, I am not sure at this stage; I would not like to speculate. If there is an agreement, then as soon as it comes out, that would be a very reasonable question to ask, and it would be very reasonable to try to make that as clear as possible.

Q21 **Hilary Benn:** I am slightly surprised to hear you say that you wouldn't want to speculate, because presumably, as the negotiations have unfolded, you have seen what is emerging. I would have thought that by this stage, you would have a plan for what will require legislation—straightaway, anyway. Are you are saying that you haven't done that yet with the drafts that have been shared with you?

Alex Chisholm: There has certainly been some preparatory work, but equally some of that would require close working with Parliament, and clearly we haven't engaged in that process yet.

Q22 **Hilary Benn:** Of course it will require working with Parliament, because Parliament will have to pass the legislation, but in terms of what the Government are going to put to Parliament, are you ready to go? A deal may come quite late. Are you ready to go if legislation must be passed by 31 December? That is all I was trying to get clear.

Alex Chisholm: I think we are as ready as we can be. As you anticipate, we are doing some preparatory work; as the negotiations progress, we are preparing some text against the outcome of that. But we can't know for sure exactly what the final agreement will be, and therefore what the final text should be, until we get to that point, if we do get to that point, and I don't know how many weeks, or even days, will be left in which to pass that before the end of the year.

Q23 **Chair:** I think that is another strand of concern. We have raised this issue before, when we were talking to Bernadette Kelly about the amount of legislation required by your Department, and now it could be required at great pace. We will keep a close eye on that work, of course, with our sister Committee.

I want to ask Mr Chisholm about the Mitie-Interserve merger. The Committee has looked—with concern, sometimes—at the number of large suppliers supporting Government. We have raised questions about whether they are too big to fail. Do you have any concerns about two large outsourcing companies merging, and the likely impact on public services?

Alex Chisholm: I will not talk about the particular circumstances of that case, because that wouldn't be fair to the companies concerned, but I can absolutely assure you that the Cabinet Office, as part of their regular scrutiny of key suppliers to the public sector, do look at the impact on M and A activity, to see whether it strengthens or puts stress on the balance sheet. That is certainly one of the criteria that we apply in general, and have applied in this case.

Q24 **Chair:** Do companies, when they are doing this, come and talk to you, if they are perhaps running contracts that would have been competitive but will now be under one body? Do you look at that, and look at the impact on the pricing and the service delivery?

Alex Chisholm: Yes. There is a double assessment. First of all, companies do come to us as customers and say, "Look, how do you feel about this?", and they have been pretty good at notifying us—all the major suppliers. The system that we have now of Crown reps also gives us an additional level of scrutiny and assurance.

On the impact of competition for the market through public procurement, that is subject to regular scrutiny, as you know, from the competition authorities. My former employer, the Competition and Markets Authority, would assess a case like this to see what the impact is, and would take evidence—from ourselves, among others.

Q25 **Chair:** It sounds terribly polite that they come along and tell you, and talk to you about it, but Government is the client—a very major client, currently—for these big companies. Surely Government uses its clout to have very serious conversations about what this will mean for transparency, openness and the delivery of services. Could you walk through what you do to make sure that we are not going to get ripped off by a merger of two large companies that run a very large section of our public services?

Alex Chisholm: There are multiple Government interests within that, so, formally speaking, an assessment is done by the competition authorities about whether there are any concerns for competition. Also, under the Enterprise Act, you can look at whether there are any concerns on national security grounds; it is unlikely in this case, but that can apply in these types of mergers.

Furthermore, as you rightly say, we appear as a customer in these types of situations. The customer ultimately has considerable power, typically, in merger situations, which often open up the contracts for renewal. In a change-of-control type situation, the customer decides whether or not they want to continue to allow this particular person to operate their facilities and management. Those decisions would be taken by individual Departments and their arm's length bodies, but we would certainly co-ordinate that activity, and if we had any concerns about it or had any kind of general disposition for or against, that could be communicated to the merging parties, and very likely would be, in a case like this.

Q26 **Chair:** Does the Coronavirus Act have any impact on the way you make decisions about this sort of thing? The Government have huge powers to procure outside the normal rules. We have seen a lot of issues around that, and a lack of transparency. One, does the Coronavirus Act have an impact? Two, how will you keep Parliament and the public informed of these discussions about who is running what as a result of a merger?

Alex Chisholm: I would say that the Coronavirus Act could have some impact, if the mergers affected the availability of key goods or services that were particularly important as part of the response to coronavirus.

Q27 **Chair:** That is quite wide, is it not? If you are running services in a hospital, does that not count as a key service?

Alex Chisholm: Potentially, it could be. If you were in the business of vaccine production, or you provided key testing facilities, there would be a special assessment about whether there was any impact. I do not think that applies in this particular merger, but that would be a consideration.

I know we have a session on 14 December on procurement overall and the use of emergency procurement legislation, which allows for direct awards, rather than full competitive tenders. As you would expect me to say, we are keen to get back to business as usual as much as possible, and to the ordinary use of full competitive public tenders.

Q28 **Chair:** Yes, but even when you do not have business as usual, you can set a certain tone and constraints. What sort of advice have you been giving Ministers since we came out of the height of the first wave in the summer—we will touch on some of this on 14 December—about whether they should put any tendering process in place?

Alex Chisholm: We try to limit the use to genuine emergency cases, as allowed under section 32, if I remember.

Chair: The infamous section 32.

Alex Chisholm: We have also been preparing advice about making changes to the procurement rules as they apply when we are able to do so next year, to enable us to respond differently in situations like this. Continual guidance is given to Ministers in our Department and others about how best to apply procurement rules. This is covered in the NAO Report. My Department exercises special control over procurement. In over 100 cases, we have applied a whole series of conditions in order to be able to grant approval. We have said, "We approve it, but only if"—for example—"you apply this for three months and commit to do a full tender next time", or we can limit the scope of it or use benchmark pricing. Various other types of conditions are applied.

Q29 **Chair:** When did you start applying those conditions?

Alex Chisholm: In many cases, they apply with immediate effect. It depends on what the condition is. Sometimes it will say, "You must do this now."

Q30 **Chair:** But you did not do that at the beginning of the pandemic or in the middle of the first wave.

Alex Chisholm: These are standard controls, but it has been particularly important to apply them during this massive procurement that we have been engaged in.

Q31 **Chair:** I was just thinking of the National Audit Office Report of last week, but I am aware that we will be discussing that in detail on 14 December. It seems that when you talk about the way that the merger works, if there is an emergency an important issue that is critical to service delivery, which can cover quite a lot of things in a pandemic, my observation is that it is a good time to merge, because you could scoop up the business of another company and quite easily take on all of that work with little oversight. Is that a fair comment?

Alex Chisholm: You are thinking about the motives of the merging parties, rather than the Government. I think you were right before when you said that the Government's interest is whether they are confident that there will be sufficient competition, and whether the new merged entity would have sufficient financial stability to operate and honour all its contracts.

Q32 **Chair:** I am pointing out that if one of those companies—let us take it away from the two I have talked about—is running an important thing that the Government feel is critical to continue, the Government, as the client, will not walk away from that, you are suggesting, because it is an emergency. That company, therefore, and its new parent, if it is a takeover, will just scoop up that business with very little scrutiny. That is what I am hearing from you; maybe I am misinterpreting.

Alex Chisholm: We have a lot scrutiny. That is what I am trying to get across. Against all the criteria I already mentioned, the Government's responsibility is to ensure that the impact of the merger—which is a matter for the shareholders—does not adversely impact the public interest in the way that I have described it. It is not necessarily the case that a merger harms or hinders its ability to provide good quality of service. Obviously, on the whole, you expect it to have a positive business case and to be able to provide a better service to customers, but we do try to reassure ourselves of that on the various criteria that I mentioned.

Chair: We will leave that there for now, but we obviously have a big session coming up on it.

Q33 **Sir Geoffrey Clifton-Brown:** I have a quick question on that. The Committee examined in detail the problems with public contracts in the wake of Carillion, which was very different, because it was a bankruptcy rather than a merger. Will the guidance that you referred to in response to the Chair include guidance to all Departments to look at every single contract to make sure that there is an ongoing basis, and that the contracts are not going to be interrupted by the merger? I am thinking particularly of where the two firms are operating in the same field, and whether they actually merge and fulfil their individual responsibilities properly.

Alex Chisholm: Yes, in short. That is exactly the type of scrutiny that we have been carrying out of all the major public contracts that the two parties fulfil. We are looking at the overlap, and the impact on the future contestability of that market. We are also looking at their financial standing before they are merged and the effect after merging. In many cases, this is an opportunity taken by the companies to raise fresh equity, which actually improves the overall financial stability of the organisation and reduces its leverage.

Plus you sometimes find that under the new management situation, the best practices are transferred from one party to the other, so there are some benefits there. Those are exactly the type of considerations that we look at, but we take a properly sceptical, careful look at the impact on companies' ability to perform their public contracts. Particularly, as you say, post-Carillion, that scrutiny has been especially tightly applied.

Q34 **Dame Cheryl Gillan:** I cannot resist this, as we have Ms Kelly in front of the Committee. She knows there is one thing I continually question about. On the subject of "too big to fail", we have seen rail passenger numbers drop to the lowest level in 150 years. In a survey conducted recently for *The Engineer*—a very large survey—77% of people thought that HS2 should be cancelled. At the same time, with what has been happening with coronavirus, digital tools are doing far more for levelling up than this terribly expensive, old-fashioned railway.

In the light of what is happening during the pandemic, is the Department re-examining the justification for the project? Obviously, the business case has diminished dramatically over the past year. That is something that the NAO, and our Committee, are continuously looking into.

Bernadette Kelly: The Prime Minister took the decision to proceed with HS2 earlier this year, and that is precisely what we are doing. We are not revisiting that decision.

Q35 **Dame Cheryl Gillan:** So you do not keep that decision under constant observation, particularly in the light of the dramatic changes that are taking place.

Bernadette Kelly: You have to stop or go with these projects. The action that we took after that decision was to enter into some very significant contracts for main civil works as part of the notice to proceed, so it is not possible to continually keep all those sorts of decisions on a project of this sort under review. The Prime Minister's and the Government's decision on this project was clear.

I would say what my Secretary of State has made clear, which is that this is a project that is being built for 100 years and maybe longer, not for the next five or 10 years. We will, of course, across the piece of all our projects, be looking at the impact of changes in demand on our appraisal methodology. That is something we keep under constant review. For our major projects, we keep business cases regularly reviewed at appropriate points as well, but we are not reviewing that decision.

Q36 **Dame Cheryl Gillan:** Even though you keep business cases under review for other projects, you do not keep it under review for HS2.

Bernadette Kelly: No, I am saying that we have taken a decision on this project and it is a project that is proceeding. For all our projects, at whatever stage—

Q37 **Dame Cheryl Gillan:** Are you keeping the business case under review for HS2?

Bernadette Kelly: Yes. At appropriate points in the lifetime of a very long-term project such as this, we will revisit the business case. As I say, that was done as part of the decision to proceed with the project in February. We are looking across the piece at what impact covid has on our appraisal methodology, but as I say, HS2 is a very, very long-term project and therefore there is considerable uncertainty involved. It is not the case, and we would not agree with the premise, that covid necessarily causes one to take a different view on this project.

Dame Cheryl Gillan: Even though the numbers—

Chair: I think we ought to leave it there, Dame Cheryl. Much as it is important, we do have other business to get on with today.

Q38 **Peter Grant:** May I start with a question to Mr Chisholm, please? Why is it that, with 38 days to go—that is assuming everybody works right through Christmas and new year—you are still so far away from having everything prepared for a smooth end to the transition period?

Alex Chisholm: As I tried to describe before, I think huge advances have been made in our readiness. Getting to 100% is extremely difficult with something of this scale and magnitude. It is a massive change—an unwinding of something that has been in place for several decades—so it is not surprising that there are still some aspects of our own preparations that we are still completing, although they are very nearly complete. It is also not surprising to me that, given there is a need for hundreds of thousands of other organisations—particularly in business—to make some changes, some of those have not yet completed their own preparations. But we are doing everything we possibly can as a Government to try to set out what it is that people need to do to be ready and to provide very active support to encourage and enable them to do so.

Q39 **Peter Grant:** You say that we cannot necessarily expect to get 100% prepared by 1 January. What percentage prepared are we now? What are you convinced we will be by 1 January?

Alex Chisholm: From the point of view of being ready for cross-border trade, we initially focused heavily on the biggest companies and our research over the summer found that over 90% of high-volume traders were confident they would be ready. Our focus more recently has been on smaller companies to ensure that they could be as ready as possible. Since I was last before the Committee, I think we have advanced by about 10 percentage points the awareness of what needed to be done among those businesses that need to trade with Europe, which is good. We have also seen about a 60% increase in accesses to our online information about imports and exports on gov.uk. So we have seen some clear signs of small businesses being much more aware of the need to be ready for these cross-border changes and beginning to make more steps.

Q40 **Peter Grant:** That tells me what information you are collecting about how ready individual businesses are. What percentage of the Government's actions will be completed by 1 January? What percentage of them is complete now?

Alex Chisholm: The ratings we discussed in the early part of the evidence session indicated that all the areas within the Government's own responsibility that had been at red have now moved to amber, which means we think we will be ready for the end of the year. That applies not only to IT systems, which I am sure we will discuss a bit more in a moment, but to those key bits of infrastructure that, even a month ago, or when the NAO were doing their work, there were three cases where in our view inland sites might not have been ready by 1 January but, due to great efforts, we are now confident that they will be.

Also, in terms of the availability of expert customs intermediaries, which is key since they play such a big role in helping people to do the necessary administration of cross-border trade, the latest research we have had—again, in the last two weeks—shows that they expect about a fourfold increase in capacity for the early part of next year. Again, that is a very considerable improvement in the situation even in the last few weeks. So I think when we look at our own preparations, it is coming together quite well, and therefore we do feel confident about our own readiness.

The point I was making at the outset when I was invited by the Chair to say what keeps me awake at night and what I worry about was that there are so many moving parts. It is such a complex system, interacting with hundreds of different public bodies and hundreds of thousands of different businesses. When you look at the reality of whether everybody will do everything that they need to do in exactly the right way without any hitch, that would be a remarkable standard to meet. I do not expect that that will be the case.

Q41 **Peter Grant:** Thank you, but going back to the start of your answer, Mr Chisholm, the definition that you gave of amber status is actually more like green, because you said that amber means that you expect to be able to do it. That is not what amber means at all. Amber means that it is possible that you will achieve it, but there are still significant risks to be addressed and significant issues to be resolved. That is the correct explanation of amber status, isn't it?

Alex Chisholm: Thank you, yes. You have described it correctly, and indeed it is described in the NAO Report.

Q42 **Peter Grant:** So despite the progress that you mentioned in your recent letter to the Chair, there are still some very significant and essential areas of work where at the moment you are still at code amber. There are still significant issues to be resolved before 31 December, or in a few cases before the middle of next year. That is the case, isn't it?

Alex Chisholm: It is the case, both because there are some individual issues that still need resolution and because it is the combinations that create some of the overall risk. I think that was, again, well said in the NAO Report when they looked at the individual systems, where they could see that there was a lot of green or amber, and we could see that it was realistic to expect that they would all be ready, available, tested, et cetera.

However, the NAO Report, in paragraph 2.20 on page 43, also said that "many of the systems have interdependencies with each other, and…with HMRC's customs systems…Failure to implement one system could have implications for the ability of other systems to operate as planned." They also made the point that "departments will be seeking to operate new or changed systems, with new staff and with new users", so there is a "level of inherent risk". My point in quoting that is that, even if all the individual systems are showing as green on our rating and we have done everything possible, the overall combination risk of that may still be amber.

Q43 **Peter Grant:** If you accept that it is not possible to get everything green before 31 December, how many ambers or reds can we afford to still have without there being significant disruption to supplies of essential goods or significant damage to the economy? Do you have a target of how many ambers you can afford to have on 31 December?

Alex Chisholm: Ambers or reds. I think there is one red left, which is trader readiness. We really want to continue to emphasise that there is still time for traders to be ready and there is a fantastic amount of support and information available on gov.uk.

Chair: We got the advert. We have been raising trader readiness since 2017. It is not a new thing.

Alex Chisholm: It is a key issue—no question.

Q44 **Chair:** Has Government been doing enough to tell traders?

Alex Chisholm: It has been doing an enormous amount, not only to give information about what to do. Very practical support is available, including, for the larger traders, one-to-one support as well. To bring it back to your question, could I invite my colleague Emma Churchill to speak, because the BPDG operates the cross-cutting assessments of this? She may be able to add some additional detail to my answer.

Emma Churchill: On trader readiness, the first thing I would say is that we have been doing an enormous amount. The feedback that we get from businesses is that there are two current barriers to their completing their readiness journey. First, a large number of businesses tell us that of the things that they are currently grappling with covid comes higher in their priorities than making or finalising preparations for the end of the transition period. We completely understand that.

The second thing that businesses tell us is that they are waiting to see what happens in relation to the free trade agreement. What I would say there—this is set out quite neatly in the audit Report—is that traders will need to do the vast majority of the things that we are asking them to do whether or not there is a free trade agreement.

As Mr Chisholm was saying, steps like getting your EORI number, reaching out and getting a customs agent if you want one to support you with your customs formalities, and reaching out to your trading partner in the EU—that is an absolutely essential step that we need people to take—are steps where people are not wasting their time if they do them now, because they will be required whether or not there is a free trade agreement. We are doing our utmost to try to get that across to businesses, to give them the confidence that they are not wasting their time—

Chair: Which we have been looking at for several years.

Emma Churchill: But we do know that that remains a barrier. On the "are we doing enough?" question, alongside the communications campaign, there are products available on gov.uk. I know, Chair, you were saying not to have advertisements, but there are step-by-step guides, how-to videos, recordings of the webinars that HMRC and other Departments have been doing, checklists and process maps. There really are a lot of materials there, which are available to support businesses that want to complete their readiness journey. The support really is out there.

On webinars, HMRC is running webinars practically daily. DEFRA and other colleagues have been running sector-based webinars; some of those have been—

Chair: Okay, lots is going on with webinars. We have got that message loud and clear.

Emma Churchill: There is a lot of support out there, which I think is important, Chair. We have just opened an online forum that businesses can go on and ask their questions. I know you want us to move on, but the point is that for businesses that are wanting to start getting ready now, there is an absolute wealth of things that are there to help them do it.

Chair: It sounds a bit like groundhog day, because we have been talking about getting ready for many years, and too often it does not materialise into something practical. Mr Grant, back to you.

Q45 **Peter Grant:** Thank you, Chair. I know there are a few members who want to raise specific issues about traders and exporters in their constituencies, so I will not follow up on that just now.

The final thing I wanted to ask Ms Churchill was about a lot of businesses and hauliers. We are focused just now on covid and Brexit, which is maybe understandable, but how realistic is it to expect all these businesses to concentrate so much on Brexit between now and 1 January, when most of them are probably hoping to have some time off at Christmas? The Prime Minister even says they should be able to meet their families, which would be very nice. They are still having to deal with the impact of covid, and at this time of year, they are always having to deal with the likely impact of bad weather. With hindsight, shouldn't the Government have aimed to have everything in place by the end of October rather than the end of December, to allow a bit of breathing space in case things went wrong?

Emma Churchill: In fact, those products that I was talking about have been available for some time, and they are available for whenever a business would like to access them. Many businesses have accessed them already; a business that wants to go on today can access them.

The other point I would make, of course, is that not every trader is going to need to move something on 1 January. Many traders who move goods across the border will do so on a far less frequent basis, and may not in fact need to be ready for 1 January. They may not need to be ready for February or March, or whenever it is that they move their goods, so I do not think it is even realistic to think that 100% of businesses that do any trade with the EU need to be ready on 1 January. It is the businesses that are actually moving goods on or after 1 January that need to be ready; it is not the case that 100% need to be ready on 1 January.

I think that is a really important point, because we know there are businesses that will wait until after Christmas to start their preparations, and when they are ready to access the support—not just the things I have already talked about, of course; HMRC and other Departments run helplines—that will all be available after Christmas, for when businesses that can leave getting ready until after Christmas do so.

Alex Chisholm: Briefly, because I think this is a very important question, I just want to add a couple of points about it. When we look back over the year we have had, it is fair to recognise that in the period from late March through to June, we were very conscious that businesses, particularly, were going to be hugely affected by covid, and were really not in the right kind of disposition to be able to cope with all the necessary preparations and engagement on Brexit, so we did step back a little bit some of the intensity of our expectations and demands of businesses at that time.

It was only on 13 July that we launched the get business ready "Let's get going" campaign—that is correct. That was launched in July, not just a few weeks ago, so we have been pushing pretty hard for the whole of the second half of this year. As you know, we also tried very much to get the negotiations concluded in good time in October. Unfortunately, that has not been possible so far.

Chair: I think that is probably beyond everybody in this room, sadly.

Q46 **Peter Grant:** I have one final question. Mr Chisholm, to pick up on what you have just said about the impact that covid has had on engagement by and with businesses, what is your estimate of how much time that has added to the preparation time? How much later will that make it? Did you, at any time, consider advising the Government that they needed to seriously think about extending the transition period to make up for the time lost as a result of covid?

Alex Chisholm: The Government decided in June not to extend the transition period and indeed that it would be impossible to do so as a legal act, so that has provided considerable certainty and clarity. In terms of the lost time, I would not want to overemphasise that because the work of the Border and Protocol Delivery Group, for example, continued throughout that time. I am simply making the point that we were a little bit conscious in those most intense weeks of the first wave of covid that we should be a realistic about what we could expect businesses to do, and I think businesses would have expected us to be like that.

In the meantime, of course we continue to develop systems. The testing of some of those systems was probably held back by a few weeks, but not by months. We also needed to make very careful preparations for the available port and inland infrastructure. Again, some of the engagement with ports would have been affected because they would have been hugely disrupted by the first wave of covid. So there have been a few weeks of impact, but as much as possible we have been acting to make up time since then, taking expedient decisions and making some direct financial interventions, as we have done in the case of port infrastructure, the intermediaries market, and the trader support service for Northern Ireland.

Jim Harra: I will just add that in June, although the Government decided not to seek an extension to the transition period, they did recognise the impact of covid-19 on the ability of businesses to prepare, and they decided to row back from their earlier decision in January to introduce full import controls from 31 December. Those import controls will now be staged-in over a further six months. That was in direct response to the impact of covid-19 on businesses. There is a major reduction in the risk to the border on 1 January, because that simplifies the procedures that importers will need to follow.

Emma Churchill: That is precisely the point that I was going to make: the indirect reaction to businesses—

Chair: What a team that you both wanted to say the same thing.

Emma Churchill: Yes, exactly. That we implemented the staged model—

Chair: So you don’t need to say it again.

Emma Churchill: —makes a critical difference to businesses.

Q47 **Sir Geoffrey Clifton-Brown:** Mr Harra, we have discussed many times, through the Committee, individual IT systems. What we have not discussed so much is the integration between different IT systems that will be so critical to making this whole operation work. Can you say a little about that and how you have been testing your different systems against each of the other systems they interlink with?

Jim Harra: Yes, you are right. Customs IT is made up of a very large number of integrated IT systems that tend to come together on the HMRC declaration platforms. That creates two pressures. First, their integration means that if one part fails, it can have knock-on impacts on other parts, so you have to do a lot of integration testing, which we are doing. Secondly, there is the impact on the outside world, because you have a relatively small number of often fairly small software developers whose capacity to make simultaneous changes is limited. They find themselves hit by the need to make multiple changes to multiple systems at the same time, and that is one of the key external readiness risks that Alex mentioned.

From our point of view, we are concentrating on seven key systems that need to be changed or built from new to enable GB-EU trade and to enable us to comply with the Northern Ireland protocol. We have also got joint projects in place with other Government Departments, such as the Department for International Trade, recognising that from 1 January my systems take their tariff information from that Department, rather than from the European Commission, as it did before. A lot of that was rehearsed in the run-up to a potential no-deal exit last year, so it has been a matter of tweaking and refreshing some project plans. At the moment, most of the system changes that we are responsible for are in that end-to-end testing.

Q48 **Sir Geoffrey Clifton-Brown:** Given the very short notice at which IT writers have to make or, presumably, to design some of these systems, what is the biggest risk that you, as a Department, are facing with these IT systems at the moment?

Jim Harra: In customs, you have five community system providers that provide the big systems that link ports and carriers to HMRC systems. There are probably fewer than 20 key software developers that develop the business systems that traders and hauliers use. We have been man-marking all of them, to understand what they are doing and where their plans are.

As we have got closer and closer to 31 December, our confidence in their ability to deliver has grown, hence the reduction in the RAG ratings of some of these projects. Nevertheless, it is clear that they are not all going to have their products there. As a result, we have already inbuilt two key contingencies. One, as we have mentioned, is that full import controls from EU to GB will be staged over six months, which reduces the need for them to make system changes. The other major intervention is to procure a Government-provided trader support service for compliance with the Northern Ireland protocol, so that if a business finds that its software is not ready, or that the community system it uses is not ready, there is a free-to-use Government service available.

Q49 **Sir Geoffrey Clifton-Brown:** I am worried about another category, which is people exporting from the UK. If our systems and their paperwork aren't in order when they get to the French border, or any other EU border, they are going to be turned back. Are you confident that both you and the traders have the systems and the paperwork instructions ready so that those exporters will be able to export unimpeded?

Jim Harra: I will let Emma pick up in a moment on the work that the UK is doing to make sure that goods moving from the UK to the EU are EU-ready at their border. In terms of the export requirements in the UK, we are satisfied that we have the systems in place to do that. If anyone's software isn't ready, there is a direct user interface with our own systems to enable people to make those export declarations. We have made that as light as we can. In a sense, the UK does not have a huge interest in checking those, but it is important that people are ready to complete them because a lot of that data is what they are going to need to get through the French border, for example. I can describe those.

Q50 **Sir Geoffrey Clifton-Brown:** Can I test that? The key interfaces are going to be CHIEF; the automatic licence verification system, ALVS; and the import of products, animals, food and feed system, or IPAFFS. That is on page 32, figure 7. Are you confident that all those interfaces will work?

Jim Harra: Yes, and some of those systems are Tamara's, but they link to my customs declaration system. Most of those links already exist. One of the advantages of using CHIEF for EU-GB trade from 1 January is that it is an existing system, with existing links to some of the main systems, with which many traders are familiar and which has software products already out in the market for people to use. That significantly de-risks what happens on day one.

Tamara's Department has created a new system and made some changes to existing systems. We are doing end-to-end testing to make sure that all works.

Q51 **Sir Geoffrey Clifton-Brown:** Thank you for bringing in Ms Finkelstein, because I was going to bring her in anyway. Could we hear from you, Ms Finkelstein? This is a key transformation that you have made from the old TRACES system to the IPAFFS. I am keen to learn how we are going to prioritise the high-risk, high-value products into this country.

Tamara Finkelstein: We have done significant testing of the systems that we have developed. We have done some desk-based testing of the chains in which products will move, but we are now moving into doing end-to-end testing to ensure that things are working, and to physically have products going through that chain, checking that the connections work. We have been testing it and we are now doing it as physical end-to-end testing.

Q52 **Sir Geoffrey Clifton-Brown:** That is one thing on the IT systems. The second part of my question was, how will you prioritise? You have a lorryload of fish at the end of a 7,000-vehicle queue at Dover. How will you physically prioritise that lorryload of fish?

Tamara Finkelstein: We look at things that we ought to consider prioritising. This is a bit of a challenge, because anything that you prioritise causes other challenges, so it was part of the consultation that was led by the Department for Transport as to how we ought to organise things in Kent. We looked at what we ought to prioritise against animal welfare issues, perishability issues and sector issues. The two areas that we are looking to prioritise are day-old chicks and fish. If you look to prioritise a vast number of other goods, you reduce the impact of prioritising at all. There is a plan to prioritise those two things.

Q53 **Sir Geoffrey Clifton-Brown:** In terms of exports, there is a large number of new animal health certificates. Will there be enough vets to do that work?

Tamara Finkelstein: It is a critical thing that we have been working on for some time to increase the number of vets who are able to do this. It is a private market that people go to. We have made considerable increases. In February 2019, as the Report says, there were 600 in the market; now, we are at 1,200. We have been offering free training, which has helped to get that number up, and we continue to do so. Around 350 seem to be registered on that now and we hope that they will then have completed the training and be available.

There are many uncertainties as to how many we need, because it is a challenge to know what proportion of people's time they will spend on this—we think that is going up from what the current stock of vets do—and exactly how many export health certificates we will need. But we think that we are broadly likely to meet the central estimate of what we need. There are some risks though. First, are they geographically distributed where they need to be? Secondly, there is an uncertainty on numbers. Therefore, we are training up all our Animal and Plant Health Agency vets to be able to do this in case of need, because that gives us a large geographical distribution.

We will continue to work on the mechanisms by which we can do that. You may remember that we agreed with the Royal College of Veterinary Surgeons that we could develop this certifying support officer role and train those people up. We are also pushing on them. There is a number of areas that we will continue to try to push.

Chair: Sir Geoffrey might think that we sat in this room and heard that point a couple of years ago.

Q54 **Sir Geoffrey Clifton-Brown:** Ms Kelly, you heard Ms Finkelstein say that if you prioritise one category, you are effectively demoting another, but clearly there will be some priorities. How will they physically be managed at the ports, particularly the port of Dover?

Bernadette Kelly: First, as Tamara indicated, we have taken a very narrow decision, in the end, around prioritisation. Only day-old chicks and seafood will be prioritised. That will be a very small number of HGVs. We are not planning a complex system of prioritisation. That would be operationally difficult to deliver. A narrow, targeted prioritisation of this sort can be delivered physically that the site.

Emma Churchill: Can I describe how it works physically? It is not done at the port. We anticipate about 70 of those a day. We have organised a muster point for them at Ebbsfleet. One of the transit infrastructure sites that Mr Harra was referring to earlier will be that muster point. Should the prioritisation need to be enacted because we have got to that phase of Operation Brock, which is the traffic management system, those lorries will be directed to Ebbsfleet. At that point, they will be given a very visible permit to put in the window and they will be taken straight from Ebbsfleet across the Channel. That is how it will work practically.

Q55 **Sir Bernard Jenkin:** Ms Finkelstein, could you briefly update us on the latest position regarding REACH? I have a chemicals business in my constituency that exports 50% of its output to the European Union. At the moment, the EU is going to withhold registration of their product when we have left the single market. They will not have access to the information held by the EU consortium in order to be able to register their product, and they do not know how much money they will have to pay for that information, as they pay for it in other markets. I believe that there was certainty provided for in this respect in the no-deal scenarios. Can you tell us what the position is now, please?

Tamara Finkelstein: It remains the position that UK companies will not have access to the EU REACH. We have developed a UK REACH system, but for those using chemicals in the UK, effectively we will be relying for a period on a sort of grandfathering of their registration in the EU REACH. In terms of, as you say, that expensive requirement of having the full dataset on UK REACH, we have now said that we will give people two years to do that, but actually two years, four years or six years, depending on their tonnage, so that the smaller companies will have six years to do it. That is not the scenario we would like to be in, in that we are not able to use the data that sits in the EU REACH, but that is where we have got to.

Q56 **Sir Bernard Jenkin:** To be clear: will they be able to use that registration for exports to the EU, or do they have to re-register in the EU?

Tamara Finkelstein: They will have to be registered in the EU. They will have to find a base in order to be able to use the EU REACH system.

Q57 **Hilary Benn:** On that last point, Ms Churchill, the chemical industry said to our Committee that they think it will cost them about £1 billion to re-register their chemicals under the new UK REACH system. Is that a figure that you would concur with?

Chair: Is that to Ms Finkelstein?

Hilary Benn: To whoever is best able to answer it.

Tamara Finkelstein: To bring your data together in the new UK REACH is an expensive thing to do. That is why we are providing a period of time—two years, four years and six years.

Q58 **Chair:** But is that a figure that you recognise?

Tamara Finkelstein: I do not specifically recognise that figure, but this is a challenge, which is why we put in that transitional period.

Q59 **Hilary Benn:** It will be a very expensive challenge. Ms Churchill, what is your estimate of the total additional customs declarations that UK businesses are now going to face because of Brexit? What is the number?

Emma Churchill: It may be that Mr Harra will answer that. I have it, but Mr Harra will deliver it much better.

Jim Harra: In the last published figures in 2017, there were 54 million customs declarations a year. We expect that to go up to 265 million once we are through the staged controls.

Q60 **Hilary Benn:** The reason I asked that question—I will come back to Ms Churchill—is that when I asked that question of the Chancellor of the Duchy of Lancaster earlier this year, because I was well aware of the HMRC calculation, the CDL told our Committee, "At the moment we are conducting work with the sector in order to determine exactly how many additional customs declarations may be required". Has that work now been completed?

Jim Harra: No, and we have not yet published renewed figures. The reason we are doing that is that the figures that I gave you are based on a static estimate of trade and trader behaviour. You would expect, because of the administrative costs involved in making declarations, that traders, particularly moving goods to the EU, would tend to now bulk their consignments and make a smaller number of larger consignments to reduce the number of declarations that they have to make. That kind of dynamic modelling we have not yet completed and therefore we do not yet have a figure that has been revised from the one I gave, which is really based on the work that I told the Committee about last year.

Q61 **Hilary Benn:** Isn't that a bit odd, given that the total number of likely declarations will have a huge impact on the IT systems? But let me move on—

Jim Harra: I don't think it is. I mean—sorry, if I can just say, the basis on which we have calculated this therefore gives you a worst case for the volume that you have to deal with; if anything, the actual volume will be less than that. So, we have used this as our planning assumption for scaling our systems.

Q62 **Hilary Benn:** Okay. How many additional customs agents have been trained out of the 50,000 that were identified earlier this year as being required?

Jim Harra: The 50,000 figure was, I think, a figure that an organisation in the freight industry came up with; it is not a figure that the Government recognise. Our aim is not to increase customs agents by a certain number, but to increase the capacity of the customs intermediaries to deal with declarations. That is why in our grant scheme, for example, we are not just giving grants for recruitment of new agents; we are also giving grants for IT changes that automate the procedures and increase capacity that way.

We have recently carried out research with Ipsos MORI and we published that online—I think that was today. It indicates quite encouraging signs that the customs intermediary market has increased its capacity about fourfold, which brings it into line with the number of declarations that we think it will need to make from January, although I believe that we will need further scaling to cope with the staged introduction of import controls over the subsequent months.

Q63 **Hilary Benn:** So, you are saying that there is enough customs form-filling advice and capacity in the system to cope with what is required from 1 January—is that it?

Jim Harra: Based on the Ipsos MORI research, it is looking encouraging and such that there could be enough. However, if the number came in at the bottom end of that research, that would be quite uncomfortable, and we would have to look at whether there were further decisions that we would need to make at a policy level to deal with that.

However, the Ipsos MORI research itself obviously looks at a period a little time ago and we know that intermediaries have continued to work, so it is looking increasingly encouraging that there will be sufficient capacity for 1 January volumes without our having to take any further steps to reduce the number.

Q64 **Hilary Benn:** We will find out soon enough. Is the goods vehicle movement service, or GVMS, still in beta testing?

Jim Harra: We have completed our build for the release 1 functionality that is required for January and that is in testing. It will not be implemented in live until December. We issued the technical specification in July for carriers and hauliers, so that they could get on with developing their products. We opened up a trader test sandbox in September, so they have been able to bring their products in and test their connectivity and their message flows with our systems since September.

The system itself will go live initially for registrations at the end of the first week in December, I think around 8 December. Then, later that month it will be available for hauliers to start to build their goods movement records in anticipation of wanting to use it on 1 January.

Q65 **Hilary Benn:** Is CDS in the same stage of testing and development?

Jim Harra: The functionality of CDS to handle all declaration types was completed last May. There have been two key things that we have had to do to CDS since then for the end of the transition period. One was to scale it, to make sure that it had sufficient capacity to deal with the volume of declarations being used for the Northern Ireland protocol, plus those declarants who use it for UK-rest of the world trade, which we have done.

The second was to introduce new functionality on it for the dual tariff concept, which is the unique concept of the Northern Ireland protocol, and that is the key reason that we are using CDS for that. We released that dual tariff into trader test on 15 October, so that those community system providers and software developers that are building their own CDS import tools have been able to test against that.

So, there is a high level of confidence that CDS will be there and able to support the Northern Ireland protocol in January. However, because there is a much lower level of confidence that everyone will have the software and business processes to be able to interact with it directly, we have taken the decision to introduce the free trader support service as an alternative to their having to do that.

Q66 **Hilary Benn:** Okay. Can I turn to the Kent access permit? How will lorries be checked to ensure that they have one?

Emma Churchill: You will know that we have created a service called "Check an HGV is Ready to Cross the Border". That will be advisory for HGVs using non-short straits; it will be mandatory for those using the short straits. That is how they will get their Kent access permit.

The way that that will be enforced is that there will be ANPR cameras while Op Brock is in free flow, as it were. So if we are not using Sevington and Manston, for example, and therefore the traffic is free-flowing, ANPR cameras will identify for DVSA enforcement officers where an HGV and the vehicle reference number are not associated with a Kent access permit, and they can therefore take the necessary enforcement action. If different stages of Operation Brock are in action and, for example, there are lorries at Sevington or Manston, obviously that enforcement can be done at those sites.

Q67 **Hilary Benn:** Do I take it from that that the ANPR information will then automatically be checked against the lorries that have a Kent access permit? Is that correct?

Emma Churchill: That is right, yes.

Q68 **Chair:** Will that include foreign-registered vehicles?

Emma Churchill: Yes, it will.

Q69 **Hilary Benn:** How will lorries entering Kent that are not heading for the EU be identified?

Emma Churchill: There are two different sets of HGV traffic that might be in Kent that would not need a Kent access permit according to the statutory instruments. First, there are locally registered hauliers. The way that that is being dealt with is that there is an arrangement for a local access permit that Kent County Council are going to issue to those that are based in Kent.

We recognise that there is a second category of haulage firms that are not based in Kent and therefore will not have a local access permit, but that none the less might be making a domestic delivery. The way that the DVSA will deal with those is, first, of course, the DVSA will be able to tell if those operators do not have an international licence. So if it is a distributor and operator that is solely based in the UK and therefore would not be making international travel, that information will be available to the DVSA officer and they would know not to pull them over. For those that do have international licences, were they to be pulled over by a DVSA officer, we are advising them simply to have the paperwork that demonstrates they are making a domestic delivery. Of course, that would be perfectly acceptable.

Q70 **Hilary Benn:** There is no way they can register beforehand to say, "Hey, I'm coming into Kent. I'm not going to the EU. I'm making a domestic delivery. Could you please not stop me to find out whether I'm carrying paperwork that tells you that I'm only delivering in Kent?" Is there not a way to forestall being pulled over?

Emma Churchill: Not if they are registered outside Kent, which is why I made the differentiation between local haulage firms that will be given a local access permit that will do exactly what you just set out. There is no separate registration scheme for domestic deliveries for Kent. However, while the contraflow is on, should we get to the stage of Brock where the contraflow is on the M20, those domestic HGVs would be using the contraflow anyway, so they would not be in the Brock part of the M20 and that differentiation would already have been made.

Q71 **Hilary Benn:** The NAO Report says, "There is likely to be significant disruption at the border from 1 January". Do you agree?

Emma Churchill: I think the level of disruption will depend to a large extent on the level of trader readiness—I am sorry to return to trader readiness. The way that disruption would occur, if it were to occur, is if a large number of traders are not ready and have therefore not completed the documentation that is relevant to member state requirements. That is quite an important differentiation, particularly at the short straits.

Traders need to complete the documentation required. The haulier then needs to have the movement reference number that in a standard export procedure would be generated by the EU importer, or under a transit movement would be associated with the transit accompanying document. That is the critical thing that will lead to a successful border crossing. That is why that is the series of documents that are asked about in the "Check an HGV" service. The "Check an HGV" service will go through the documents that are required in order to make a successful border crossing and enable the haulier to confirm.

The trader readiness is the first important thing—has the trader done what is necessary? The second important thing is whether the haulier carrying the goods has the necessary documentation and the movement reference number that will enable them to make a successful crossing. If traders are not ready and trucks, in sufficient number and proportion, attempt to make the crossing when not ready, that is when disruption might arise. That is what is set out in the reasonable worst-case scenario assumptions.

Q72 **Hilary Benn:** Indeed. But you have identified that the one red flag is trader preparedness. That indicates that the Government are worried that they won't all have the right paperwork in the right place at the right time. Given that, is the NAO correct to say that there is likely to be significant disruption at the border from 1 January?

Emma Churchill: Not necessarily. The levels of trader readiness that are assumed in the reasonable worst-case scenario are the ranges correctly set out in the Report: 20% to 40% for small and medium-sized enterprises and 50% to 70% for larger businesses. The range of truck readiness that is assumed in the reasonable worst-case scenario is taken from the lowest point of both of those ranges, i.e., 20% of SMEs being ready and 50% of large businesses being ready.

Although we are in no way complacent about trader readiness, the data points that we have, which my colleagues referenced earlier, show current trader readiness at the top of or above those ranges. While we are still using those reasonable worst-case scenario assumptions for contingency planning purposes, as is completely correct, we already believe that trader readiness is sitting at the top of those ranges.

The second thing I would say is that it is important to recognise that those reasonable worst-case scenario assumptions are before we consider the impact of the mitigating steps that we have been taking. "Check an HGV" is just one of those mitigating steps. That is, in itself, designed to prevent the reasonable worst-case scenario from arising. Although it is true that there could be disruption at the border—if trader readiness does not improve or hauliers, for example, were to ignore the "Check an HGV" results and try to cross the border anyway—we are not in a position at the moment where I would say to you that I definitely think the reasonable worst-case scenario is, in fact, what will happen at the border.

Q73 **Hilary Benn:** I merely observe that there seems to be quite a contrast between what you have just said, what the NAO has assessed and, crucially, what hauliers, logistics and transport companies have said to our Select Committee. We will discover more in 40 days' time.

Chair: Thank you, Mr Benn. It is something we have been talking about for years on this Committee. We keep being promised that we will get there. As you say, we will find out in 40 days.

Q74 **Peter Grant:** I want to pick up on one of the answers to Mr Benn's question, when we were talking about the—

Chair: Mr Grant, your sound is breaking up a bit. Could you speak slowly please?

Peter Grant: I beg your pardon. Is it the case that hauliers in my—

Chair: Mr Grant, your sound is breaking up. We cannot hear the question. Please try to repeat the question.

Peter Grant: I will try again. Is it the case that hauliers in my constituency will now face greater checks?

Q75 **Chair:** I think we have got the general gist there. Will Mr Grant's constituents—for the avoidance of doubt, they are in Scotland, so we are thinking in particular about Scottish ports—face greater checks than those in Kent?

Emma Churchill: It depends where the haulage company is attempting to take its goods. The "Check an HGV" requirement applies to all haulage companies based anywhere moving their goods through the short straits and on into the EU, because they are attempting to move goods internationally across the short straits. For haulage companies moving goods to the EU outside of the short straits, the "Check an HGV" service is available for them to use on an advisory basis. So if they wished to use that service to check that they had the right documentation in place, it would be available for them to use, but it would not be mandatory unless they were making a crossing across the short straits.

Q76 **Peter Grant:** My question was about businesses in my constituency selling to customers in Kent. Will their hauliers now have more checks to deliver to Kent than they did before?

Emma Churchill: No. If you are not making the international crossing across the short straits, you are not required to have a Kent access permit.

Peter Grant: Mr Harra, the previous customs management scheme, CHIEF, was supposed to be taken out of use in March—*[Inaudible.]*

Chair: Mr Grant, would you turn off your video for a moment? If you turn off your video, we will get the sound. I hope that works. Back to you.

Peter Grant: My apologies. The question was—*[Inaudible.]*

Chair: Mr Grant, we are losing you. I will turn to James Wild—oh, he is frozen now. I will bring in Sir Geoffrey Clifton-Brown while we sort this out.

Q77 **Sir Geoffrey Clifton-Brown:** Ms Churchill, we have concentrated a lot in this Committee today, and on other occasions, on British hauliers—indeed any hauliers—exporting goods from this country to the EU. What help will be given to hauliers—particularly British hauliers—who will need to, and often do, return from the EU with full loads in terms of both the customs declarations they need to make in France and the paperwork they will need on arriving in this country?

Emma Churchill: For January, we are of course staging controls, so we are only having customs declarations for controlled goods for January; the main import customs declarations are being staged for July. It is the same in respect of the safety and security declarations: they are also to be introduced in the second stage in July, rather than in January.

The GVMS system that Mr Harra has been describing will be in place for July. That will operate in the same way—in reverse—that the French SI Brexit system will operate in January. That is the system that will be used by hauliers and carriers from July once the full customs declarations and safety and security declarations come into force. Jim, do you want to say any more about GVMS for July?

Jim Harra: What GVMS does is enable a haulier, when they arrive to check in at the ferry, to say, in effect, "Here's my goods movement reference—an envelope, if you like—which contains within it all the relevant declarations required for the different consignments of goods I have on my truck." For January, because we are staging import controls, the only important ones there are goods being moved under transit, because that will apply from 1 January. But from 1 July, it will apply to all types of declarations: import declarations on CHIEF or CDS and safety and security.

So it will be important that, over that time, we get hauliers entering the country into a position where they are using GVMS and, when they go to check in at the ferry, they have a goods movement reference, which is the envelope that contains everything they need for the goods on their truck.

Obviously, that is not something that the lorry drivers themselves do; it is what the haulier does with their client who is moving the goods.

We have done a lot of work with the haulage industry to describe to them how GVMS will work. In September, we demonstrated a prototype of the GVMS user interface to the haulage industry in three different sessions, and it got good feedback from them on useability, but it won't be until the end of the first week in December that they will actually be using the system, and registering as users, before later in the month creating their first goods movement references for goods that they intend to move after 1 January.

Q78 **Sir Geoffrey Clifton-Brown:** Will that paperwork be compliant with what French customs require to leave France with a lorryload of goods?

Jim Harra: Not on GVMS, but the French have an equivalent mirror system. It is a very similar process, but obviously it is a French system. GVMS will gather together all the declarations that a haulier needs for the goods on their lorry to get into the UK, and then there is an equivalent French system that contains all the declarations they need to get into or out of France.

Q79 **James Wild:** I just want to pick up on Mr Harra's comments about the import controls. The Report notes that there is a higher fiscal risk. Have you attempted to quantify that risk?

Jim Harra: It is not possible to quantify it just yet, because it is dependent on a number of factors. I think we will get more clarity after Wednesday, when the Office for Budget Responsibility does its fiscal and economic forecast, because that will give us information about the level of trade and duties at stake from 1 January. But you are absolutely right: we are taking a certain amount of fiscal risk in order to prioritise flow over collection.

We have put in place a number of measures to mitigate those risks. First, we have excluded from the staged import controls controlled goods such as excise goods—alcohol and tobacco. We have also excluded high-risk traders. We are currently contacting traders individually to say, "You are excluded from the eased procedures because you have a record of non-compliance, which means that we expect you to make full declarations."

In addition, with Border Force, we will be using our usual intelligence, because we don't manage fiscal risks at the moment by just stopping and checking lots of consignments; we use intelligence to zone in on the ones that we want. We will be doing that in parallel. I should also say that we have excluded from staged import controls non-UK established traders, unless they have signed up with an approved customs intermediary who has accepted joint liability for their duties.

Q80 **James Wild:** Sorry, Chair, I should declare an interest, in that I was a special adviser in Downing Street working on Brexit policy prior to the election.

On the point about the high-risk traders, the Report says in paragraph 12 on page 9 that HMRC will require high-risk traders to make import declarations. Later in the Report, paragraph 1.11 says that the Government intend to "request" that they make declarations. Can you clarify whether it will be a legal obligation for high-risk traders to make those declarations?

Jim Harra: There will be a legal obligation, and the necessary legislation came into force on 29 October, which is why it is after that date that we have started contacting these traders to tell them that they are not within the relaxed import controls.

Q81 **James Wild:** How would you characterise preparations to be ready by July to have full import controls in place?

Jim Harra: We have been careful; as you might expect, we are focused on 1 January, but we have been careful to make sure that we have a phased release programme in our projects, and are tracking the RAG status of them all. In terms of getting our systems ready, we are in a good position. In practice, the decision to introduce staged import controls did not relieve the burden on HMRC very much in terms of the systems changes we needed to make, because we had to be customs-ready for the Northern Ireland protocol in any event on 1 January. It is mainly for external readiness: it gives traders, hauliers and software developers more time to get their products in place, so it is really keeping track of them and keeping up the pressure on them to get ready. But I think we are in good shape and we are tracking that very carefully.

Q82 **James Wild:** In what circumstances would you be recommending that that date be extended?

Jim Harra: I think we will want to monitor it. I would imagine that Ministers will want to take account of the same kinds of things that they did that caused them to put staged controls in in the first place, which is the need to prioritise trade flows and the need to enable traders to focus on whatever their top priority at that time is. Hopefully, we will not still be in a situation where covid-19 is consuming as much of people’s attention, but obviously I do not have a crystal ball.

Q83 **James Wild:** The Government have launched a £200 billion fund for infrastructure at ports. When do you expect to make announcements on those funding applications, and what is the typical lead time for the work that needs to be done by July?

Jim Harra: That will be for Bernadette or Emma.

Emma Churchill: The fund was launched and the closing date for applications for that fund was the end of October. We are working through those applications, and now they will need to be assessed for eligibility—because, of course, the fund has got very specific eligibility criteria, which are that it is to support the building of infrastructure for the border operating model—and then they will also be assessed against criteria to make sure that the application is for a reasonable amount of funding for the particular project that is being applied for.

In terms of delivery dates, it is of course the case that the ports who are bidding for this fund have known for a significant period of time the kind of infrastructure that would be required for January, but more significantly, of course, in relation to the fund, for July. Of course, there is customs compliance infrastructure, but also—and Ms Finkelstein may want to say a bit more about this in a minute—border control posts, because it is from July that the border control posts will need to be in place for checks on sanitary and phytosanitary goods.

Ports have been getting on with that. They have not been waiting to hear about their applications for the fund. Of course, the fund is there for financial support for those projects. In terms of your question about when we will be hoping to announce that, we are hoping to make some announcements in the week commencing 30 November.

Q84 **James Wild:** We have touched on trader readiness, so I will not go into that too much, but I just wanted to ask about page 54 of the Report. Paragraph 2.41 talks about the 10,000 high-value businesses whose trade receipts are £250,000 a year. How many of those 10,000 do you consider are ready to go?

Jim Harra: For those that we have contacted, about 95% of the largest ones that have a customer compliance manager in our large business service have said that they have started investing to get ready. Of importers of controlled goods, 96% have said that they will be ready.

Q85 **Chair:** So 96% of the larger businesses?

Jim Harra: Yes, the very largest—we expect 95% of all of them and 96% of those who move controlled goods to be ready. That is the very largest. Once you go down that list a bit into those that are not in the top 2,000 businesses, the level of readiness falls to about 48% that we assess as being likely to be ready, which comes into what Emma said about the reasonable worst-case scenarios. That is still above that level, but it needs to be pushed up. That was at the end of October, so it is more than three weeks since then and I would hope that if we re-ran that, we would get better results now, because obviously the act of contacting them spurs them to take further action.

Emma Churchill: If I may, the other thing that I would add is that the approach we were taking was that, once HMRC had made those starter pools, for those businesses who did not feel that they were ready and wanted more one-on-one support, they organised for HMRC to pass those details on to DIT for exporters and BPDG for importers. We have been organising follow-up calls to be made to those businesses, so that they can get that one-on-one support to actually get ready.

Jim Harra: About two thirds of those that we contacted expressed a willingness to have that service.

Q86 **Chair:** How many have had that one-to-one conversation, if two thirds have expressed willingness?

Emma Churchill: I think around 500 or 600, from memory, have had the—

Chair: What percentage is that?

Emma Churchill: I think 60% of the ones that have been successfully contacted said that they were willing to pass their details on. I think we probably have made first contact with all of the exporters that were in that list and have been through those calls—

Q87 **Chair:** Do you know how many out of the total are businesses that need the help?

Emma Churchill: I think about 600 have been contacted in the exporters. I will confirm afterwards the number of importers, but it has been of that order. What people have been finding, even before that phone call had been made, is that the level of readiness at the beginning of that follow-up call has already increased from when HMRC spoke to them, because they have been able to take action.

Q88 **James Wild:** Ms Churchill, you talked about the swathes of material available on gov.uk—the webinars and things—so why do you think businesses are not getting ready?

Emma Churchill: I think I said in an earlier answer—apologies for repeating myself—that there are two main things that businesses are saying to us in feedback. First, dealing with the covid situation is obviously a higher priority for their business than making the necessary preparations for the end of the transition period. Secondly, businesses have been raising with us the lack of certainty about whether there is going to be a free trade agreement. What we have been trying to do in response to that second point is just to highlight to businesses that very many of the actions that they will need to take to be ready for the border are, of course, necessary whether or not there is a free trade agreement.

Q89 **James Wild:** One of the things that comes from the Report and the representations to the Committee is that more clarity is being sought by transport and haulage groups about how the system is going to operate. Do you consider that the clarity is there, or are you planning to provide more information, short of an FTA hopefully being agreed soon?

Emma Churchill: Since the haulage industry in particular has been saying that, the document that they were very much wanting to be published was the haulier handbook, and Ms Kelly was saying earlier that that is now published. I believe that industry has asked for a few additions to the handbook, in particular in relation to exactly how member state controls are going to work, and we are working to make sure that that information is available to them in an updated edition.

In terms of the border operating model, there are a couple of minor additions. We know that the haulage industry in particular wants us to publish the finalised list of ports that will be providing CTC facilities. That is a commercial decision for ports, but HMRC is working closely with them to try to make sure we have that list available for the end of November. That, I know, is a piece of the jigsaw that we still have. Otherwise, we pretty much have it in the border operating model that is out there and the haulier handbook that accompanies it.

Q90 **Sir Bernard Jenkin:** On this question of the collection and payment of excise duties, we depend upon the electronic movement control system, which is a European system. What is going to replace that? Businesses cannot be ready otherwise.

Jim Harra: EMCS is actually a UK system. The way it currently works in the EU is that each member state has its own movement and control system, and then they all speak to each other, so the UK's system is actually ours in proprietary terms. We have made changes to it so that it will now operate on a UK-only basis and will not now track duty-suspended goods in the way it did when we were members of the EU, but we have also kept a version that will work in relation to the Northern Ireland protocol for movements between Northern Ireland and the Republic of Ireland.

The work to change EMCS will be completed in the next few days, and we have a high level of confidence that the software developers, who build their own systems to link with that, are on track to deliver their changes. Several of them have confirmed that they are complete, and all but one of the others have said that they expect to be complete, and have a high level of confidence, in time for it coming into force.

Q91 **Peter Grant:** Mr Harra, there has been a comment from, I think, the permanent secretary to the Cabinet Office about building up to a fourfold increase in the capacity of customs intermediaries. Do we know where all these additional customs intermediaries are going to come from?

Jim Harra: What I said earlier is that we have commissioned research from Ipsos MORI that indicates that the capacity of the industry to make customs declarations is on track to increase fourfold. That does not necessarily translate into a fourfold increase in the number of agents who work in the industry because, for example, they can have automated some of their processes, and we have given grants for them to enhance their IT in order to do that.

The industry ranges from a small number of quite big players through to a very large number of effectively one-man bands. The one-man bands have found it quite difficult to increase their capacity because they are working at full capacity and are limited in what they will invest in. We have found that those at the larger end of the market really have increased their capacity. In addition, we have seen some new entrants into the market, ranging from the big four firms through to the British Chambers of Commerce. It is a combination of new entrants and growth, particularly at the larger end of the market, that is increasing capacity. They will undoubtedly have taken on additional staff or contractors, but they will also have introduced automation to their processes.

Q92 **Peter Grant:** Is there any statutory or regulatory requirement for qualifications or accreditation before somebody sets up as a customs intermediary?

Jim Harra: No, there isn't; it is an unregulated market. There are a variety of facilitations that customs agents might want to have that are subject to

HMRC approval and having securities and so on, in place, but otherwise anyone can set up as a customs agent.

Q93 **Peter Grant:** How concerned are you, then, that we will get cowboys moving in—the same people who are selling non-existent covid PPE and who were previously selling non-existent pension funds and non-existent properties in the Mediterranean? How confident are you that these same people are not going to be able to defraud innocent businesses in the UK of a lot of money by setting up as customs intermediaries when they have got no idea what they are doing?

Jim Harra: We have no intelligence at the moment that that is happening. However, as a fail-safe we have published a list of existing customs agents and intermediaries on gov.uk, so that any trader, particularly a small business, that is thinking of engaging an agent can check on there. We do not make recommendations, but traders can check that the organisation that they are dealing with is known to Government and has a history of trading in this sector.

Q94 **Peter Grant:** You mentioned some of the big accounting firms moving into this market, which they had not been in before. They will presumably not appear on your list of existing suppliers. Is that correct?

Jim Harra: I need to double-check. I am pretty sure that if they have approached us and we have done some assurance that they are genuine, we will have added them to the list, but I would need to double-check that that is the case. I recognise that this is an unregulated market, which is perhaps something that would need to be looked at in future, but I do not think it is a cause for concern at the moment.

Q95 **Peter Grant:** I am not entirely reassured at the assurance from the big accounting companies, given some of the financial disasters that they have failed to protect us from.

How concerned are you by media reports that the Government money that was provided to increase capacity is instead simply being used to increase the salaries of existing practitioners, in some cases poaching staff from their competitors?

Jim Harra: I am aware that two brokers claim that that is a problem. They have approached us, and are presumably the same two brokers who spoke to the FT. We have an £80million grant scheme to boost the capacity of intermediaries; some of those grants are for recruitment and salaries. We have tracked the salary levels that we are subsidising through those grants, and in fact between the second and third wave I think that actually went down, but it is the case that in the past four weeks we have seen an upturn.

Our general philosophy is to leave it alone because it is for the market to find the agents it needs, but we do monitor closely and we have options to intervene if we felt that was necessary and that the grants were just being wasted in inflated wages. We could take steps such as, for example, restricting grants only to new entrants to the market who had not previously worked as agents, or we could cap the level of salary that we were willing to subsidise. But at this stage we have not taken that decision; we are just monitoring the situation very closely.

Q96 **Peter Grant:** Can I move on to the existing customs management system, CHIEF? I tried to ask Mr Harra about it before, but I lost my connection. Mr Harra, what is your estimate of how much longer you will need to continue to rely on this system, which was supposed to be taken out of use in March next year?

Jim Harra: You are right that we have paused the work to migrate traders from CHIEF on to CDS, because the priority was to retain CHIEF as the primary platform for EU-GB imports and exports. That means that we do not currently have a planned date for when we will carry out that migration. We are therefore committed to continuing with dual running, which was already part of the CDS programme's plan but is now extended for a much longer period.

In the medium to long term, it would be better for everyone if there was just one platform because I suspect that dual running two platforms is going to cause excess costs—certainly for HMRC and the Government and, I suspect, for community system providers and software developers—but until we have a new plan, I cannot say how long dual running is going to have to continue.

Q97 **Peter Grant:** Given that the system was designed for a much smaller workload and it was due to be taken out of use, how confident are you that the CHIEF system is resilient enough to handle the significant increase in workload? What is your contingency plan if you find out that it cannot cope?

Jim Harra: Although CHIEF is a very old system, it is actually very stable. It is difficult to change, so it is difficult to put new functionality on, but it is stable as an operational live system. I characterise it as like the roadsweeper who says he has had the same brush for 20 years; he has just changed the head three times and the shaft four times. We are constantly updating the infrastructure.

We did successfully scale CHIEF ahead of no deal last year up to, I think, 300 million declarations per year; we successfully tested it at that. We have since tested it up to 350 million declarations successfully and we are doing some further scaling so that it is capable of handling 400 million. That is comfortably enough to deal with the forecast volumes, and I do not have any concerns about that.

If as part of reforms to our border model in the future, for example, we wanted new functionality, it would not be very easy to do that with the CHIEF platform because it is old technology and therefore very difficult to change. That is one of the key reasons why for the Northern Ireland protocol we have had to use CDS rather than CHIEF.

Q98 **Peter Grant:** You have mentioned several times, Mr Harra, that the CHIEF system is difficult to change, but the National Audit Office reported that 43 of its 88 component parts will have to change to make it work in the new increased environment. Does that concern you?

Jim Harra: When I said difficult to change, I meant that it is difficult to develop new functionality on it, but we have significantly changed its infrastructure, for example, as part of the scaling and to ensure that it remains a resilient system going forward.

On what would happen if it went down, it is a long-standing system that has been there for 25 years, and it has gone down on a small number of occasions during those years, so we have tried and tested business continuity procedures to make sure that goods can continue to flow and that fiscal risks can continue to be managed. It has been and continues to be a stable and resilient system.

Q99 **Peter Grant:** Do you envisage any traders having to use both systems at the same time?

Jim Harra: It is possible that a trader would import goods into the UK from the EU or elsewhere in the world and use CHIEF, and that same trader might move goods from Great Britain into Northern Ireland, in which case they would have to use CDS. That will be larger businesses and that is the kind of cost that comes from dual running because they will have to have two sets of software and two sets of business procedures to handle that. In the longer term, it would probably be better if that was not the case.

Q100 **Peter Grant:** Just to be clear, any manufacturer who, for example, imports raw materials from the European Union and sells the finished goods either back to the European Union or within the United Kingdom will have to carry the expense of running two systems at once. Is that what you are telling us?

Jim Harra: If the goods are not being moved from Great Britain into Northern Ireland, no, businesses will only need to use CHIEF. Obviously, declarants can use CDS for imports from the rest of the world if they wish—it is a functional system and it is there to be used and some declarants do use it—but we expect most of them to wish to stay on CHIEF for the foreseeable future. The only instance when it is mandatory to use CDS is if you are moving goods from Great Britain into Northern Ireland that are subject to the Northern Ireland protocol. That is the only customs declaration platform we have that conforms with the protocol.

Q101 **Peter Grant:** Thank you. A final question. Have you made any assessment of the additional cost—*[Inaudible.]*

Chair: Sorry, that was something about the cost of running both systems. Mr Grant, can you perhaps turn off your picture and just use your sound, and try to repeat the question?

Peter Grant: Have you assessed the costs to businesses of running both systems?

Jim Harra: I am not aware that we have. Certainly, if we have, I do not have those figures to hand. I can check for you.

Peter Grant: Thank you.

Q102 **Sir Bernard Jenkin:** The chemicals business in my constituency exports to

Northern Ireland as well as the EU. So far, they have no exposure at all to CDS and no experience of integrating it with their systems. Can that be remediated very quickly?

Jim Harra: You are right that very few businesses have that experience. We do not believe that there is time now for many of them to do that and often, if they look for a software product, it is not really there. That is why the Government have created a free-to-use trade support service, which links to CDS. So the business in your constituency will be able to use that service free of charge, give it the data and it will make the declaration to HMRC on the business's behalf. It is like a free customs agent. Your constituent needs to go on gov.uk, search for the trader support service and register. As of this morning when I checked, about 13,200 businesses had already registered for that service. That grew by about 3,000 over the weekend. It is quite a rapid take-up. If businesses do that, they will find lots of education and support materials. There is a helpline and they will not need to interface directly with CDS.

Q103 **Chair:** I want to move on to the Northern Ireland protocol. Mr Chisholm, what are the biggest risks of implementing this challenge?

Alex Chisholm: First, it will be delivered on 1 January—

Q104 **Chair:** It will be? You are absolutely sure?

Alex Chisholm: Yes. It is a challenging project to do that because of the number of changes that need to be made and also because it is a pretty unique situation to be in two different customs unions at the same time. In recognition of those difficulties, the Government have stepped in to make this major intervention of setting up the trader support service. As we have just heard from my colleague, Jim Harra, businesses have responded very quickly to that, and we have estimated that about 12,000 businesses in Northern Ireland are trading with—

Q105 **Chair:** We know that around 3,500 of those 12,000 traders were registered at the time of this Report being finalised.

Alex Chisholm: Last Friday it was up to 10,000, and this morning 13,000, so it has been growing incredibly rapidly—

Q106 **Chair:** It is 13,000? So it is over the estimated number of businesses—

Alex Chisholm: I had not quite finished what I was saying. It is 12,000 in Northern Ireland and about 12,000 more in GB, so the total target market is up to 24,000, of which 13,000 have now registered.

Q107 **Chair:** Can I just check then: will the trader support service be working. To set it up from scratch from August and to get it up and running, surely it is keeping you awake at night?

Jim Harra: It is one of the most risky parts of this. Obviously Fujitsu leads the consortium that has to deliver it. They have, in our opinion, a very sound technical solution, and they are well on track to deliver that. In particular, they have contracted with a system provider that has a tried and tested product that we know already works with CDS, which some declarants are using live, so there is a good link through to CDS, but they have obviously got to get their traders ready to flow the right data into the front end of the TSS and they will have to push that through the system provider and into CDS.

We have developed a number of contingency arrangements that we could invoke if any part of that service was not there, but obviously our intention is that it will be there, and it is on track. One risk that obviously is going down is that traders would not register in time, because we are seeing a very good take-up of that. But of course, those traders need to be able to provide all the necessary data to the TSS in order for it to complete their declarations, and we need to make sure that they have got the business processes—

Q108 **Chair:** You say it is a big risk, and there has been some discussion in the media about having a trusted trader status for large supermarkets, for instance, so they do not have to go through some of these hoops. Is that something that is still under serious consideration?

Jim Harra: The trusted trader system for supermarkets is probably more relevant to Tamara's area than mine, but what we have done is to deal directly with the largest importers into Northern Ireland to make sure they are ready either to declare directly into CDS or into the trader support service. A key thing for them, and also for express operators, is that there is a bulk upload service—

Q109 **Chair:** So it is obviously easier for you to deal with the bigger companies. Ms Finkelstein, is this a serious consideration—having trusted trader status for certain large supermarkets?

Tamara Finkelstein: This is looking across being able to apply the Northern Ireland protocol to agrifood, and of course discussions on that are ongoing in the Joint Committee. It creates some uncertainty about the exact requirements and the timeline, but one of the things we are discussing with the Commission is about supermarkets—

Q110 **Chair:** That would give stable food supply to people living in Northern Ireland, but it could have a very big impact on smaller businesses who would be at a disadvantage because they would not have the same trusted trader status.

Tamara Finkelstein: The discussions that we are having are around how we are going to apply the Northern Ireland protocol at this time, so we have not got an agreement or a plan of that sort yet, but we are having that conversation—

Q111 **Chair:** But surely somewhere in the depths of your Department, if not at a high level, you are having discussions about how, as you have acknowledged, to maintain food supply to Northern Ireland and making sure that people can still eat. So there is somebody working up a plan for how to get trusted trader status—

Tamara Finkelstein: We are looking at what a scheme could look like for supermarkets and more broadly around what we can do to apply the

Northern Ireland protocol to agrifood. The conversations are actually happening at the highest level, in a way, through the Joint Committee as to what will be agreed with the EU about the arrangements that will be in place and when.

Q112 **Chair:** How much time would you need to practically implement them? You will not have much time really, so can you practically implement it in the time available, if it were to happen?

Tamara Finkelstein: We have been talking very actively to the supermarkets and others about what that sort of plan would look like, but really that needs to be part of a wider set of conversations about the arrangements for agrifood, and the timeline and checks that need to happen.

Q113 **Chair:** There are huge challenges. You have covid hitting Northern Ireland hard, and supermarkets, or the bigger businesses, are perhaps able to adjust quickly to these plans to keep the food supply going if there is a crisis, so where does that leave small businesses in Northern Ireland?

Tamara Finkelstein: As I say, it is no one's interests—the EU's or the UK's—for there to be problems of flows of food. That is what needs to underlie conversations about the timeline and requirements with regard to applying the Northern Ireland protocol to agri-foods. That is the conversation we need to have.

Q114 **Chair:** So it could be delayed for agri-foods?

Tamara Finkelstein: Well, it is a conversation as to what that looks like.

Q115 **Hilary Benn:** Ms Churchill, you said a moment ago that you had not got a plan yet about how to apply the Northern Ireland protocol, and we have got 40 days to go. How can anyone trading into Northern Ireland from GB know what it is they are meant to prepare for, if there isn't a plan because we don't yet know, for example, how at-risk goods are going to be defined?

Tamara Finkelstein: I will take this one on agrifood trade. A lot of preparations have been made around implementing the protocol. DAERA, the Agriculture Ministry in Northern Ireland, has been making preparations in terms of the infrastructure that we need for checks. We have contractors in place to do the infrastructure and so on. A number of things have been put in place, but we will not be able to confirm exactly what the arrangements will be until the Joint Committee has concluded. That is a challenge for the food sectors, and we are in constant touch with them to understand the issues they have and to be ready to communicate what they will need to do as soon as we have that confirmation.

Q116 **Hilary Benn:** Are you wholly confident that they will come to a conclusion on that definition and other decisions about how the protocol will work before 31 December?

Tamara Finkelstein: As I say, it is in everyone's interests to ensure that that flow of goods happens. It is critical, and that underlies the conversations that the Joint Committee has, and best endeavours to ensure that trade can flow and communities in Northern Ireland and Ireland are not affected.

Q117 **Hilary Benn:** What happens if they do not come to a conclusion by that date? How do things work from 1 January for firms trying to move goods, including food, from GB to NI? What are they meant to do?

Tamara Finkelstein: The conversations need to happen in the Joint Committee and that outcome will determine what those businesses need to do.

Q118 **Hilary Benn:** That was not quite my question. My question was: if there is not an outcome in the Joint Committee by that date, how is it going to work from 1 January? What is going to happen? What advice will you give to people moving goods across the Irish sea?

Tamara Finkelstein: The advice we would give is that that is what the Joint Committee is for—it is to reach a conclusion that allows goods to flow. That is what underlies what the Northern Ireland protocol has within it.

Chair: That is what we all hope.

Q119 **Hilary Benn:** It sounds like there is no answer, because when someone says, "What am I meant to do?" your answer will be "You need to wait for the Joint Committee to reach a decision." I understand that that is not in your control, so it is not a criticism of you and your colleagues. It is like the witnesses who gave evidence to our Select Committee last week, who basically said, "We have no idea what on earth it is we are meant to be preparing from." It is pretty clear from what DAERA has said that it will not be ready either in terms of the infrastructure. Is that an assessment you share?

Tamara Finkelstein: They have made progress in getting contracts in place to put the infrastructure in place, and are talking actively with the Commission about interim infrastructure that could be in place for 1 January. There is progress in terms of the infrastructure that DAERA is putting in place.

Q120 **Hilary Benn:** But they have said that some of the infrastructure is not going to be ready until next year, haven't they?

Tamara Finkelstein: They are looking at what they can put in—

Q121 **Hilary Benn:** Sorry, was that a yes? Just so that I am clear, do you recognise that that is what they have said?

Tamara Finkelstein: Yes, they have. That is why they are having a conversation about what interim infrastructure can be in place on 1 January.

Q122 **Hilary Benn:** Are there going to be enough vets to do the SPS checks?

Tamara Finkelstein: The answer I gave previously about vet capacity does take account of the export health certificates that you would need to move goods from GB to Northern Ireland, so our expectation is that that capacity will be there.

Q123 **Hilary Benn:** Okay. Talking about export health certificates, have you done any assessment of how much that is going to cost, for example for the typical supermarket lorryload? Have you got a working assumption? Also, what does that do to the supermarkets' margins, and is that why some have said, "We're not quite sure whether we'll continue to send those products if it becomes so expensive"? Starting with the cost, have you done an assessment?

Tamara Finkelstein: Not a direct assessment in the way that you describe. As I say, exactly what checks are needed, what certificates are needed and how that will work is part of the conversation with the Joint Committee. We are also committed to finding ways in which we can support businesses doing this trade, in terms of the support they need to be able to do it, especially given that it will be quite late that we will be able to give them full details.

Q124 **Hilary Benn:** The assessment that we have been given on the Select Committee on the Future Relationship with the European Union is that they cost between £50 and £200. Is that a figure you recognise?

Tamara Finkelstein: I do.

Q125 **Hilary Benn:** In the absence of some workaround being agreed with the Joint Committee, that is going to mean a lorryload of food heading for a supermarket having a lot of cost put on it for the supermarket, isn't it?

Tamara Finkelstein: Yes, and that is why we are keen to look at ways in which we can smooth the movement of food by supermarkets, because they have a stable supply chain and oversight of the whole product journey, so that is part of the question of what we can do in terms of that movement by supermarkets.

Q126 **Hilary Benn:** Why are some seed manufacturers and seed potato producers saying they do not think they will be able to export their products from GB to Northern Ireland from 1 January?

Tamara Finkelstein: Again, that needs to be part of the conversation around the whole package of what things can move, how and with what checks—

Q127 **Hilary Benn:** I understand—sorry, I do not mean to interrupt—and there are clearly a lot of conversations taking place, but are they correct in saying that unless something happens, they will not be able to export those products from GB to Northern Ireland? Is their assessment of the rules as they stand correct, and if so, why will they not be able to export those products?

Tamara Finkelstein: We have to have agreement from the EU for those goods to be moved, which is why I am saying that that is part of the full suite of conversations.

Q128 **Hilary Benn:** Sorry, I did not quite catch that word; you have to have a—what?—from the EU?

Tamara Finkelstein: You have to have agreement for those goods to be moved in that way, and that is why it is part of the whole suite of conversations.

Q129 **Hilary Benn:** Is that because there is not currently a specific export health certificate in place for seeds or seed potatoes, or indeed for mince and sausages? Is that correct?

Tamara Finkelstein: There is a set of prohibitions and restrictions on things that can be moved across the EU and from not currently third countries, so that has to be part of the, as I say, suite of conversations.

Q130 **Hilary Benn:** Right. When do you expect us to be given third country listing for the purposes of food and agricultural product exports by the EU?

Tamara Finkelstein: That I think we can be more optimistic about, because we have provided the dossier of information required for the set of third country listings that we are looking for and answered all the questions that have been asked of us. Part of that is about putting some of the legislation in place, and we are in a good place in terms of the statutory instruments being in place. Our expectation is that the Commission Committee will look at that in December, and it gave us that third country listing twice before, under the possibilities of no deal in March and October, so I think we can be reasonably optimistic about having those third country listings.

Q131 **Hilary Benn:** Good; that's great to hear.

Finally from me, why are pharmaceutical producers in GB saying that they don't know what to put on the labels of the pharmaceuticals that they want to send to Northern Ireland from 1 January?

Tamara Finkelstein: Pharmaceuticals is not my background. I suspect that if colleagues dealing with the pharmaceutical industry were here, they would say that that question around labelling is also still to resolved as part of the Joint Committee talks.

Q132 **Hilary Benn:** But why don't they know, with 40 days to go, how they can continue to label their products so that they are accepted in Northern Ireland? They are delivering a whole range of drugs, including cancer medicines, to people in Northern Ireland. Why is it that, in their evidence to us, they said, "We don't know what was going to constitute an acceptable label"? Is that all down to the Joint Committee as well?

Alex Chisholm: I am not an expert on pharmaceuticals either, but I am aware that on 5 November there was an agreement about a one-year phasing period for medicines coming into Northern Ireland. I am not sure whether the concern you mentioned, Mr Benn, was prior to that period or was addressed by that point, because that is something on which a pragmatic agreement has already been reached under the auspices of the Joint Committee.

Q133 **Hilary Benn:** In the Joint Committee—that is very helpful.

Finally, will the falsified medicines directive continue to apply in Northern

Ireland after 1 January?

Alex Chisholm: I would expect so.

Tamara Finkelstein: I would have thought so—

Emma Churchill: Sorry; we should write, but I believe there may have been a derogation. We should write on that point.

Q134 **Hilary Benn:** A derogation that it shouldn't apply? It is no longer applying in GB. Is it a derogation that it won't apply, or that it will apply?

Tamara Finkelstein: I think we should write to let you know.

Emma Churchill: We should write.

Hilary Benn: That would be great. Thank you very much.

Q135 **Peter Grant:** This is probably for the Permanent Secretary at the Department for Transport. How much of the additional capacity that you are looking to procure to take the pressure off the likes of Dover depend on using Felixstowe?

Bernadette Kelly: I can't give you a precise number for the volume of that capacity that is going to go through Felixstowe. Felixstowe is one of eight ports where we have procured capacity now in the current round of procurement. I am afraid I don't think I have got the breakdown by port, unless one of my colleagues helpfully has.

Emma Churchill: The point I was going to make—I am perhaps anticipating your question—is that there have been delays through the container part of Felixstowe, but of course the category 1 goods would be coming in through the ro-ro part of Felixstowe, which has not been affected by the delays. It may be that that is helpful.

Q136 **Peter Grant:** Thank you. On a similar theme, there have been reports that the port of Portsmouth has said that it doesn't think that it will be able to provide the additional capacity and might not be able to cope with the demand they have just now. Are you aware of these reports and how concerned are you about them?

Bernadette Kelly: First, we have been working very closely with a number of local resilience forums where there are ports outside the short straits. Hampshire and the Isle of Wight is one of those, which is where Portsmouth is. Portsmouth is included in the routes in our current category 1 procurement. We have checked all these contracts to ensure that they are deliverable, so we would not anticipate this capacity not being capable of being used. As I say, we will work closely with the port and the local resilience forum to make sure that that is the case.

Q137 **Peter Grant:** How confident are you that the transport network leading into these other ports is able to cope with that additional demand?

Bernadette Kelly: Part of the process of determining which routes to procure has included assessment of where the resilience is around ports, so

I think we are confident that the volumes of additional capacity that may be going through those ports can be coped with and that the local transport networks will be able to cope with that too. As I say, we are talking about eight ports, so we are spreading this capacity quite widely across the UK and through our ports network.

Peter Grant: Thank you. That is all from me, Chair.

Sir Bernard Jenkin: Just to advertise it, Harwich is a secondary port with lots of spare capacity.

Chair: Sir Bernard, I think you win the prize for constituency focus today, but can we get back to Northern Ireland?

Q138 **Sir Bernard Jenkin:** Can we just address the question of the goods that might be restricted by the EU, travelling from Great Britain to Northern Ireland? First of all, these supermarket foods, for example, would have to be high-risk goods; and secondly, there would have to be some kind of breakdown in the Joint Committee for this to be an issue. Third, it would depend on a UK authority intervening to stop or interfere with that trade. How likely is all this?

Tamara Finkelstein: That is a scenario that effectively says that we do need to have that conversation to agree what that looks like—to agree what the pre-notification, certification and check procedures will look like in the timeline in which they will be put in place.

Q139 **Sir Bernard Jenkin:** How reasonable would it be for the European Union to withhold agreement on this?

Tamara Finkelstein: I suppose I would say, as I was saying before, that it is not in anyone's interests for the flow of goods not to take place.

Alex Chisholm: The protocol itself does say that it should impact as little as possible on the everyday life of communities in both Ireland and Northern Ireland; obviously, the movement of food would seem to be rather critical to the everyday life of communities. I think there is particular provision in article 6.2 of the protocol to try to support the normal flow of agrifood products. So it is certainly anticipated in the overall withdrawal agreement that good flows of agrifood will be part of the solution.

Q140 **Sir Geoffrey Clifton-Brown:** Mr Harra, who will decide, in relation to the Northern Ireland protocol, which goods are or are not high risk or at risk of being exported to the EU? Whether they pay duty will depend on that.

Jim Harra: That has to be agreed in the Joint Committee and it is still under discussion. One of the areas where we have not been able to give traders certainty is to do with how that "at risk" rule will work. The UK and the EU are currently in discussions to try and reach agreement on that. HMRC will have the job of administering it.

Q141 **Sir Geoffrey Clifton-Brown:** It is quite late in the day for them to decide how their paperwork is going to be organised. Presumably, you have to have different paperwork for different types of goods.

Jim Harra: Yes. There are two implications of this. The first is that if your goods are deemed to be at risk of moving to the EU, that might mean that a tariff is payable on the movement of your goods from Great Britain to Northern Ireland. Obviously, whether there is a tariff in the first place depends on the outcome of the free trade agreement negotiations; hopefully, there would be a zero tariff in any event.

After that, it also depends on the nature of the at-risk rule and how that works. That is why we are in discussions to make sure that that does not impede the flow of goods from Great Britain to Northern Ireland that we expect to be consumed in Northern Ireland. The basic paperwork—the data required to make a CDS declaration—that businesses need to get ready to provide is largely unaffected. But one of the elements that they will have to declare is whether their goods are at risk of moving on from Northern Ireland into the EU or not. At this time, we cannot give guidance about what rules they should apply when completing that box on their declaration.

Q142 **Chair:** Pork processing, for instance, goes backwards and forwards across the border. How are you going to manage that?

Jim Harra: As far as the land border is concerned, there are no customs formalities in either direction. One of the advantages of the Northern Ireland protocol from the point of view of Northern Ireland businesses is if they have cross-border processes, those operate completely unimpeded.

Chair: Thank you.

Q143 **Sir Geoffrey Clifton-Brown:** On a different subject, CDS will be applied in the Northern Ireland protocol for those businesses that export over the border. How many firms have now migrated on to CDS?

Jim Harra: To be clear, CDS applies where goods are moved from Great Britain into Northern Ireland because, under the Northern Ireland protocol, they have to be declared and the only system on which they can be declared is CDS because they have to comply. There is no question of anyone having to declare on CDS or any other system for goods moving across the land border. The level of ability for declarants to use CDS directly is relatively low, although we have been told that some declarants intend to use it directly. Because readiness is low, we have put the trader support service in place. Fujitsu and its consortium will be able to take declarants' data and make the declaration on their behalf into HMRC's systems, therefore the trader will not have to have any software that connects to CDS.

Q144 **Sir Geoffrey Clifton-Brown:** Is it all not quite late in the day, given that there are only four weeks, or whatever it is, before we need to start to do all this?

Jim Harra: The trader support service has been put in late in the day because it was a contingency that was invoked when it became clear that there was not going to be readiness. The work to ensure that the trader support service can do all this is well advanced. It is already set up and it is already taking registrations—over 13,000 registrations by this morning. It has got the helpline and all the education and support in place. We are testing with Fujitsu and its consortium that they have that technical solution, which goes right back to CDS, and to giving the message to the declarants.

Q145 **Sir Geoffrey Clifton-Brown:** I am sorry to jump around, Mr Hara, but I am doing the mopping-up questions. Paragraph 4.12 of the NAO Report states: "Border Force and HMRC have assessed that they require an additional 430 and 900 full-time equivalent staff respectively to those required for 1 January 2021." What are your staffing levels? Have you got sufficient staff recruited in those two organisations? Or are you relying on agency staff? If so, have you got the required agency staff?

Jim Harra: I will speak particularly about HMRC. Emma, who monitors right across Government, can probably speak about the state of play in Border Force. We expect that we will need about 8,600 full-time equivalent staff in place for 1 January. That is a mix of our own staff and contractors and contingent labour. We can mix those together as we need. At the end of October, there were about 1,500 still to onboard. We are satisfied that we had time from the end of October to do that. In particular, the inland sites that we operate require about 1,000 staff between them. It is not possible to onboard those staff until mid-December, when those sites are able to receive them. Those plans are all in place and I have a high level confidence that we will have those resources.

I obviously have a contingency, which is that if any of them were not in place, I could redeploy existing HMRC resource that is not currently planned to be deployed on this, but that would have an impact on other services, so it is definitely not a contingency that I wish to invoke.

Emma Churchill: In relation to Border Force, 900 additional officers were already recruited for last October. They are now recruiting an additional 1,100. Some will be needed for January and others for July. About 670 of those are required for January and the remainder for July. Of those 670, more than half are already in post, trained up and ready to go and the rest are being onboarded now. Border Force colleagues are reporting as amber-green that they will have the remainder recruited and through the training pipelines in time for July. I think confidence from Border Force colleagues is quite high on that.

Q146 **Sir Geoffrey Clifton-Brown:** Sorry, I am jumping about a bit. Ms Finkelstein, this may be a question for you or it may be for Mr Harra. The safety and security declaration system—the so-called S&S—which you mentioned earlier currently has capacity with the ICS for only about 8 million transactions. It will be required to go to 92 million in July. How will that be scaled up to that level?

Jim Harra: We had one system called ICS—import control system—which handled all safety and security, but that was not fit to cope with these volumes and was also linked to the EU. We have therefore repurposed that system to work for Northern Ireland and created a brand-new safety and security system for GB. That has already been designed and we have got the specifications for that out to the external software—

Q147 **Sir Geoffrey Clifton-Brown:** So you are confident that by July it will be able to handle that volume of 92 million?

Jim Harra: Yes.

Q148 **Sir Geoffrey Clifton-Brown:** Thank you very much.

Coming to you, Mr Chisholm, and civil contingencies, a lot of this will be down to local authorities. Are you confident that, in whatever circumstances, local authorities are sufficiently prepared for anything they might have to deal with, particularly in view of the fact that they have been so stretched with covid?

Alex Chisholm: I think you are right that local authorities have been under great pressure because of covid. Some local authorities are clearly going to be right at the frontline for this, which is why there has been particularly close working with the Kent Resilience Forum, which you heard about earlier from my colleague Ms Kelly. There has also been a lot of financial aid given to local authorities, much of it under the heading of covid, but it has also added to their overall resources, and we continue to work very closely. That is obviously co-ordinated by MHCLG rather than my own Department, but I know that they meet with them very regularly, and I am in very close contact with them to provide that level of support. However, I think it is fair to say that that is definitely one of the areas of pressure from a contingency perspective.

Q149 **Sir Geoffrey Clifton-Brown:** Is this still a concern or are you confident that local authorities will be able to cope in whatever circumstances they might be faced with?

Alex Chisholm: We are confident, and that is one of the areas where, having identified it, we have been doing a number of exercises from a planning perspective—four so far and four more to follow between now and the end of the year—involving Ministers and officials. Some of those have looked at scenarios involving local authorities and also multiple impacts—covid, EU exit, weather, industrial unrest, et cetera.

Q150 **Sir Geoffrey Clifton-Brown:** On a mechanistic problem with civil contingencies, data sharing will no longer be available because we are not going to be part of the EU agreement in this area. That is going to be provided for in the Trade Bill, but will the Trade Bill be in place by 1 January?

Alex Chisholm: That is in the hands of Parliament, not me.

Q151 **Sir Geoffrey Clifton-Brown:** What happens if this data sharing is not available to you on 1 January and you get a need for a civil contingency?

Alex Chisholm: We do have some alternative plans for other pieces of legislation that could be used to facilitate data sharing.

Q152 **Sir Geoffrey Clifton-Brown:** There must be civil contingencies Acts that you could use in that event, are there not?

Alex Chisholm: There are, although we try not to use those unless we really have to.

Q153 **Sir Geoffrey Clifton-Brown:** But that is part of your thinking if really necessary.

Alex Chisholm: Yes.

Q154 **Sir Geoffrey Clifton-Brown:** Thank you.

You very kindly sent us a letter this morning on hauliers manuals. Is this the final draft, 18 November, that you have issued?

Alex Chisholm: I think there may be one or two small changes they want to make—

Bernadette Kelly: We issued a version last week, which is fit for purpose and is the most up-to-date version we have. We do expect to update it again though, as my colleague indicated earlier, later in December as we have more information, so there will be an update.

Q155 **Sir Geoffrey Clifton-Brown:** The haulage industry is getting pretty exasperated about this. Elizabeth de Jong, the policy director of Logistics UK, said the original version was "not fit for purpose", so when do you expect to have the final version?

Bernadette Kelly: I believe that, for the version we have now, I would hope that if you had hauliers in front of you now, you would hear a different report. We have been working extremely closely with them to ensure that the document serves their needs. I think that it does, but as I say, as more information is made available, we will update the document.

Q156 **Sir Geoffrey Clifton-Brown:** Final question: we have just touched on this today, but is "Check an HGV" ready to work?

Emma Churchill: It has been through what is called its beta phase in the technical DDS language. We have had a lot of feedback from logistics companies. We released the link to the system very widely in order to get that feedback. We are now making a few refinements to it in response to that feedback and it will absolutely be ready to go to start issuing Kent access permits in good time.

Q157 **Sir Geoffrey Clifton-Brown:** That was the next question: does it actually talk to the Kent access permit systems?

Emma Churchill: There are not separate systems that give you a Kent access permit; that is done by the service itself. As I say, there is the web service itself on gov.uk. You complete your questions and it issues you with your Kent access permit. The only system it needs to talk to is the ANPR system, which we talked about earlier, because of those linkages.

Q158 **Sir Geoffrey Clifton-Brown:** You talked about the various sites that you are able to park lorries on. Are you absolutely sure now, through Operation Brock, that we are not going to get huge queues on the M2?

Bernadette Kelly: Obviously we have been doing a great deal of work to ensure that we have a plan to deal with lorries queuing, if that is what happens—if we see that level of disruption. We have got sites now—we expect to have sites available on 1 January capable of queuing up to 9,700 lorries, if that is what is required. The reasonable worst-case scenario assessed in the NAO Report suggests that a capacity for 7,000 lorries would be the upper limit in such cases, so we have got excess capacity.

There is still some work to do to make sure those sites are fully ready, at Ashford, Sevington, and at Manston. That work is under way at pace. We have signed some further documentation today on Manston, for example, and so we expect those sites to be key facilities and to be ready for 1 January.

There is some work at Ashford as well, which will have a dual use. It will be an HMRC facility, as well as a lorry-holding facility. Work is under way there. It will have all the key functionality we expect by 1 January, although not all the work will necessarily be completed.

Q159 **Chair:** I have just one last quick question about the staffing, Mr Harra. You said that if everything went really badly wrong, you would envisage moving staff off other HMRC business to deal with the Northern Ireland protocol. Can you give us an idea of the numbers that you would need to do that?

Jim Harra: Sorry; this was not for the Northern Ireland protocol specifically. This was for it all—

Chair: Sorry—general.

Jim Harra: In relation to the Northern Ireland protocol, we have procured the trader support service, so we expect Fujitsu and their consortia to handle that demand.

We need about 8,600 people in place by the end of December. We are between about 1,300 and 1,500 short of that at the end of October, but we have plans to put that all in place, so I don't expect to have to invoke contingency at all—

Q160 **Chair:** I was just thinking about the numbers taken off some of the other important work you are doing. Would you know—in the short term, a few hundred?

Jim Harra: Yes, no more than that.

Chair: Thank you very much indeed. I thank you all for your time. I think you have agreed to write to us. You have already sent us the RAG—red, amber, green—ratings. There were some responses in reply to Hilary Benn MP that you agreed to write on, I think, between you, Ms Churchill and Ms Finkelstein. I wonder if you could also just confirm to us in writing about the Kent lorry permit issue, because we were getting a little bit confused about what permits would be needed where. Perhaps you could just lay it out in black and white, because I am sure there are many lorry hauliers around the country who would also be keen to know. Thank you all very much indeed for your time.